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# Review of the Statement of Principles for Parcel Deliveries

**Final Report for the  
Scottish Government**

**August 2020**



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This research was commissioned by the Scottish Government's Consumer and Competition Policy Unit and undertaken by EKOS Ltd, St. George's Studios, 93-97 St. George's Road, Glasgow, G3 6JA. Reg 145099

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# Contents

|                                    |    |
|------------------------------------|----|
| Executive Summary                  | 2  |
| 1. Introduction                    | 8  |
| 2. Setting the Context             | 10 |
| 3. A Collaborative Approach        | 16 |
| 4. Stakeholder Perspectives        | 20 |
| 5. Retailers Perspectives          | 26 |
| 6. Conclusions and Recommendations | 41 |
| Appendix A: List of Consultees     | 47 |

## Executive Summary

This executive summary presents the main conclusions and recommendations arising from secondary and primary research commissioned by the Scottish Government's Consumer and Competition Policy Unit to help understand the impact and reach of the Statement of Principles for Parcel Deliveries (2013)<sup>1</sup>.

### Awareness of the Statement of Principles

Research undertaken a few years ago found that awareness of the Statement of Principles was low among businesses in Scotland<sup>2</sup>. In part, this reflects the fact that the Principles had only recently been launched. Our research confirms that awareness of the Statement of Principles continues to be limited.

One in five businesses that responded to our survey had at least some awareness of the Statement of Principles – albeit the proportion with a “good” or “high” level of awareness was very much lower. Consultation with key partners and stakeholders highlighted a perceived low level of awareness of the Principles among retailers.

This is not to say, however, that unfair or excessive parcel delivery surcharging is not considered to be an issue or not well understood among businesses (or parcel delivery operators) – it continues to be a source of much concern. Indeed, just over half of businesses said that they were aware of wider action undertaken by the Scottish Government and partners to raise awareness of the issue, and most had personal experience when they ordered goods online for their business. There has been some press coverage of the Statement of Principles (albeit not recently), and it is promoted on some partners' websites.

**Recommendation 1:** There has been limited proactive promotion of the Statement of Principles (e.g. using a mix of channels) or actions to increase awareness of, obtain buy-in and support for, and ultimately increase adoption of the Statement of Principles among retailers. A more widespread adoption of the Statement of Principles is something which should be addressed by the Scottish Government and partners.

If the Principles are to achieve reach and impact, then specific action is called for to increase awareness of the Principles among retailers. Some potential options include:

- engagement with agencies and organisations that have a business-facing function – e.g. Business Gateway, Chambers of Commerce, Federation of Small Businesses, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland. There is particular need to raise awareness and engage smaller businesses.
- promotional campaigns – not limited to press, but making greater use of social media and other channels.

<sup>1</sup> The Scottish Government, [Statement of Principles for Parcel Deliveries](#), November 2013.

<sup>2</sup> Citizens Advice Scotland, [The Postcode Penalty: The Distance Travelled, Progress on Parcel Deliveries in Scotland 2012-2015](#)

## Content of the Principles

On the whole, there was broad support for the rationale behind the development of the Statement of Principles – both among the stakeholders consulted and businesses.

Firstly, stakeholders were supportive of the general spirit of the Principles. The main feedback was that it has been a positive step that the Statement of Principles exist, that it has helped to continue to raise the profile of the issue, and that the Principles have complemented wider action that has taken place.

However, the general view of stakeholders was that the Principles have not been regularly used or reinforced for some time now, and that there has been no specific focus on encouraging online retailers to adopt the Statement of Principles. Taken together, this has limited their potential overall effectiveness.

There was particularly positive feedback provided by businesses in some aspects:

- the vast majority of retailers that sell online and responded to our survey said that their own policies reflect some or all of the Principles (86%);
- more than three-quarters of businesses rated each Principle as either very useful or somewhat useful in helping to drive behaviour change among online retailers; and
- around 90% of retailers that sell online said that they would be very likely or likely to adopt the Principles.

**Recommendation 2:** No major issues or concerns were raised by stakeholders or retailers around the content, wording or phrasing of the Principles, albeit there was some feedback that it could be simplified and clarified in places and contradictory wording removed (as detailed in Chapter 4). The Scottish Government could consider a review of the Statement of Principles to ensure they reflect the findings of this report.

## Effectiveness of the Principles

It should be noted that the overall effectiveness of the Principles in changing behaviour is much harder to determine in practice. There are likely to be a number of factors at play.

Firstly, the Statement of Principles is a set of good practice principles, and adoption is voluntary. As such, assessment of levels of adoption and the extent to which it has changed the behaviour of retailers is somewhat challenging.

Secondly, most businesses that responded to the online survey were based in areas impacted by surcharging. Therefore, they have a particular interest in tackling the issue, and the findings need to be viewed in this context.

The general sense from businesses was that those on the receiving end of surcharging do not think there should be any price discrimination at all, and that the Statement of Principles does not go far enough.

On the other hand, delivery operators were adamant that their surcharges reflect the actual additional cost of delivery, and that it is up to retailers whether they want to pass this onto the customer. While generally supportive of steps to raise consumer awareness of the issue and encourage best practice among retailers, they do not see direct intervention in the courier market as a way of solving the issue.

The delivery sector is (self-reported as) highly competitive and couriers argue they take all steps possible to keep costs down. However, this works both ways – a strong emphasis on volume (which is inevitably concentrated in urban areas) and keeping costs down as much as possible means that remote and rural areas are unlikely to be a major consideration when negotiating contracts. This is supported by the IMRG's comment that those impacted by surcharging in Scotland and Northern Ireland generate "up to only 2% of the UK's online order volume". Ultimately, retailers and delivery operators alike will not make decisions that do not make commercial sense or put them in an uncompetitive position.

Some retailers that responded to the survey highlighted that while there may be a case for surcharging, they do not believe it should apply to their area, as they are based on the UK Mainland, near a major city/town, or near a main road.

The fault line between the AB and IV postcode areas in the north-east has been highlighted as an example of this – with those on the IV side often facing surcharging. However, there is some risk that by making the surcharge area more specific, the extra cost for those affected could increase as the geography covered will be – on average – more remote.

While some customers would benefit, others could face even greater detriment.

**Recommendation 3:** There is no current formal mechanism in place to routinely assess the effectiveness of the Principles. On the basis that action will be taken to increase awareness and adoption of the Statement of Principles, then this could form the basis of regular stakeholder engagement to measure progress.

### **Extent of Behaviour Change**

There are inherent challenges in assessing the extent to which retailers have altered their behaviour as a result of the Principles. Aside from a lack of awareness of the Principles, there is also an attribution issue at play.

The Statement of Principles has been one of a number of actions and activities that have been progressed to help address the issue of unfair parcel delivery surcharging. It is therefore difficult to specifically pinpoint the individual contribution the Principles have had in driving behaviour change.

Nevertheless, feedback from stakeholders confirms that the collective efforts of partners, including work on the Principles, has played its part in progress achieved to date. Here, it was reported that improvements continue to be made in terms of ensuring transparency of charges, having clear information about deliveries, and minimising misleading information. The extent and fairness of any surcharge was, however, considered to be more complex and less well understood (partners are, however, continuing to focus on this). There is also a view that more must be done with changing the behaviour of smaller retailers in particular.

**Recommendation 4:** While noting the difficulties in evidencing behaviour change, joined-up, co-ordinated and collaborative efforts should continue to maintain a high profile of the issue, as well as to support activities to make more consumers aware of their rights and of retailers' responsibilities.

**Recommendation 5:** While there is recognition that higher retail costs are a common feature associated with living in remote and rural areas, there is continued frustration with unfair delivery charges. Efforts should focus on developing a better understanding of what constitutes a fair surcharge, and how this can be made transparent to consumers and businesses. Actions that would support this are a key part of Fairer Deliveries for All: An Action Plan.

## Barriers to Adoption

The Statement of Principles is not a code of practice, form of regulation or endorsed Kitemark. Rather, adoption by retailers is on a voluntary basis. Indeed, the voluntary nature of the Principles was the main barrier to adoption identified by retailers (i.e. the key target group).

Further, there has been no real promotion, encouragement or incentive for retailers to formally adopt the Principles. The feedback from stakeholders was that retailers, and in particular large retailers, would say that they already adhere to the Principles and many will likely have their own policies in place.

Fundamentally, a key barrier to adoption simply relates to the lack of awareness of the Statement of Principles among retailers. This was raised by stakeholders and businesses alike.

Wider issues raised by businesses that were felt to limit adoption of the Principles included that: a) retailers do not control courier pricing, and b) while there is awareness of the parcel delivery surcharging issue, it is not a top priority or major concern.

Views were mixed regarding whether there would be value in developing a "pledge" that retailers could sign up to (based around the Principles). Stakeholders raised some issues regarding:

- the number of other pledges that already exist; and
- the extent of its relevance when the issue only relates to a small proportion of a retailer's total sales.

There was stronger support for the development of a pledge among businesses (67%).

The Statement of Principles is limited in its effectiveness, given its status as a voluntary code of best practice. This issue was raised by some stakeholders, but more so among businesses that felt that there should be stronger legislation in this policy area.

The focus of partners' efforts should move to other actions detailed in the Fairer Deliveries for All: An Action Plan (e.g. developing a greater understanding of what a fair delivery price is; improving postcode classifications).

**Recommendation 6:** Retailers were particularly supportive of the creation of a business pledge or endorsed Kitemark (or similar). Feedback was mixed from other stakeholders. More research and dialogue on the issue should be undertaken to explore the benefits and challenges of such an approach.

### **Extending the Principles to Delivery Operators**

The Statement of Principles is aimed at retailers.

Our research found that views were mixed regarding whether the Principles should be extended to apply to parcel delivery companies. In part, stakeholders felt that there is some “buck-passing” between retailers and delivery operators regarding where responsibility lies for the issue of parcel delivery charging.

On the one hand, some stakeholders were supportive, while others were less so – however, overall it was generally not considered to be a key priority area for action.

On the other hand, businesses felt particularly strongly that the Principles should be extended to apply to parcel delivery companies. Some 91% of businesses that responded to the survey said that the Principles should apply to both retailers and delivery operators. The strength of feeling is in part likely to reflect the issue highlighted above however, the main feedback from businesses was that pricing discrimination should be prohibited by law.

**Recommendation 7:** Our view is that there would be no measurable value in extending the Principles to apply to parcel delivery companies – in the absence of promotional activity to raise awareness of the Statement of Principles among delivery operators in the first instance, or indeed tracking of adoption, etc.

That is not to say that delivery operators do not have a role to play, and they should continue to be encouraged to be involved in collaborative discussions and efforts to help address the challenges identified in this and existing research.

However, if a business pledge approach was developed this could be extended (eventually) to the delivery companies as well as the retailers.

### **Achieving Change**

The issue of unfair parcel delivery surcharging is long-standing, and one that continues to be a source of frustration and public concern for residents and businesses alike. Indeed, it is recognised that there is no “magic or single bullet” to tackle the issue, and that change will not happen overnight. The overall view of stakeholders is that there has been some traction and improvements.

First and foremost, the main message from stakeholders is that everyone has a role to play in continuing to shine a light on the issue, and for a collaborative and collective approach to be taken to identifying and implementing solutions. This includes the Scottish and UK Governments, retailers, delivery parcel operators, consumers, and wider partners. Considerable activity has, and continues to take place, however, the challenge reported by stakeholders was around ensuring a more co-ordinated and joined-up approach.



## Where Does Best Practice Exist?

Among businesses surveyed as part of this research almost all said they use Royal Mail for despatching orders so avoid surcharging. Where they do face any extra costs, more than two-thirds said that they cover/absorb this cost themselves. While this is in part a reflection of the self-selecting nature of the survey, it does nonetheless demonstrate that some businesses are aware of the issue and taking steps to mitigate its impact.

The importance of encouraging businesses to at least offer Royal Mail as a delivery option for customers was also highlighted by MSPs during the Members Debate on Delivery Charges in December 2019. Royal Mail also has exclusive access to the Post Office network, which has 1,388 branches across Scotland in 2019, of which 68% are in rural areas<sup>3</sup>.

A number of high-profile businesses have also announced that they have stopped surcharging. We have also mentioned some specific examples of businesses that have stopped surcharging (Argos, Wayfair) and others that have taken a step backwards (Amazon Marketplace).

**Recommendation 8:** Any engagement or promotional activity undertaken to increase awareness of the Principles among retailers should incorporate examples of good practice, with a clear articulation of the benefits for both the business and the consumer.

Issues of rurality and the associated additional costs of living in remote areas are not unique to Scotland or Northern Ireland.

**Recommendation 9:** While it was outside the scope of this research study, it may be worthwhile looking at what (if any) solutions other countries have found to the issue of higher parcel delivery costs.

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<sup>3</sup> The Ferret, [Rural areas worst hit by post office closures in Scotland](#), 9/2/2020.

# 1. Introduction

This report presents the findings of research commissioned by the Scottish Government's Consumer and Competition Policy Unit to help understand the impact and reach of the Statement of Principles for Parcel Deliveries (2013)<sup>4</sup>.

The Statement of Principles was developed by the Scottish Government in partnership with members of a Working Group to increase good delivery practice among retailers. Members of the Working Group shared an ambition to optimise the way the parcel delivery market in Scotland works in the interests of consumers and business, especially in remote and rural areas.

The Statement of Principles has remained largely unchanged, although it was adopted, in a slightly revised form, by the UK Government the following year<sup>5</sup>.

This research has been commissioned in support of the Scottish Government's Fairer Deliveries For All: An Action Plan (2018)<sup>6</sup>. More specifically, the Action Plan sets out the Scottish Government's ongoing commitment to undertaking a programme of work to:

- raise awareness of the Principles among retailers;
- develop the Principles into a simple pledge that retailers can sign up to; and
- explore how the Principles can be more usefully applied to couriers.

## 1.1 Research Aims and Objectives

The detailed study objectives were to undertake research to provide an overview of:

- awareness of the Principles among retailers;
- views of stakeholders, including parcel delivery companies and retailers, on the content of the Principles and their effectiveness in driving behaviour change;
- the extent to which retailers have altered their behaviour as a result of the Principles;
- perceived or actual barriers to adoption of the Principles;
- specific examples of retailer best practice, including whether or not these have been influenced by the Principles;
- specific examples of parcel delivery company best practice and the reasons behind it;
- the extent to which retailers and parcel delivery companies have developed clear policies of their own good practice – whether these are in line with the Principles, and how these policies are disseminated and monitored;
- the appetite among stakeholders for the Principles to apply to parcel delivery companies as well as retailers; and
- whether alternative strategies could more effectively drive change, and views on what these might be.

4 The Scottish Government, [Statement of Principles for Parcel Deliveries](#), November 2013.

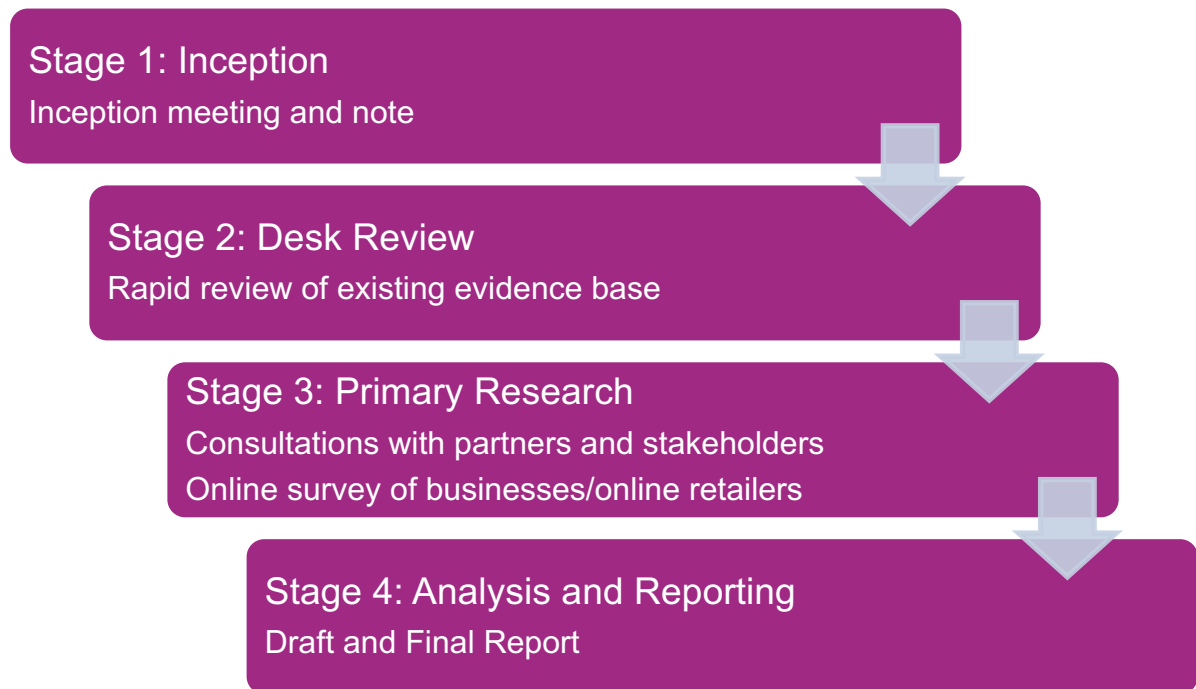
5 UK Government, Department of Business, Energy and Industrial Strategy, [Parcel Deliveries: Best Practice Guide](#), July 2014.

6 The Scottish Government, [Fairer Parcel Deliveries: action plan](#), November 2018.

## 1.2 Study Method

The research was undertaken in four main stages, as presented in **Figure 1.1**.

**Figure 1.1: Study Method**



## 2. Setting the Context

This chapter sets the scene for the research. It is important to acknowledge that the issue of non-proportionate or unfair parcel delivery surcharging is long-standing, and one that continues to be a source of frustration and public concern for residents and businesses alike, especially in rural and remote areas of Scotland.

Indeed, there is a growing body of evidence that provides the views, experiences, perspectives and potential solutions from all sides – consumers, retailers and parcel operators. We have undertaken a rapid review of the existing evidence base, and provide a summary of the main issues and steps undertaken by the Scottish Government and key players to help raise awareness of and tackle the issue.

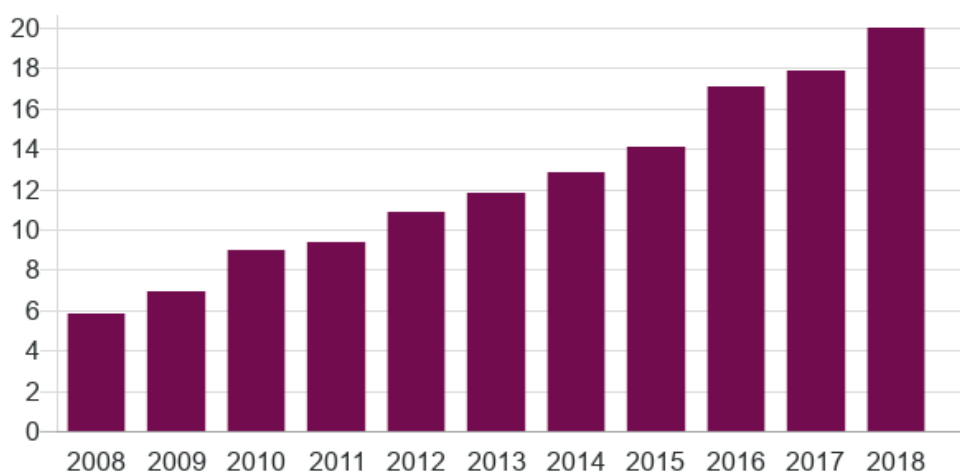
### 2.1 Increasing Popularity of Online Shopping

The prominence of parcel delivery surcharging has grown in parallel with the importance of ecommerce across the UK. Over the last decade, online purchases have grown from around 5% of total retail sales in the UK to almost 20%<sup>7</sup>, **Figure 2.1**. This shows the increasing and continuing popularity of online shopping among UK consumers. This is a trend that looks set to continue.

**Figure 2.1: Internet Sales Trend**

**Internet sales as a % of total retail sales**

December figures, 2008-2018



Source: Office for National Statistics



Source: BBC, [High Street crisis: Can 'click and collect' save shops?](#), 25th January 2019.

Scottish consumers are just as likely to shop online as consumers living in other parts of the UK. The Scottish Government has estimated that ecommerce in Scotland generated some £26.4 billion in online sales (2016)<sup>8</sup>.

<sup>7</sup> Office for National Statistics, [Retail Sales Index time series](#).

<sup>8</sup> Scottish Parliament, [Response to Parliamentary Question](#), November 2018.

In remote and rural areas the availability of online shopping for groceries and other goods can be a vital lifeline. The overall cost of living in these areas is higher than in urban areas – for example, groceries and other goods typically cost more to buy locally. Online shopping provides consumers living in these communities with the advantage of buying online, greater choice, and the opportunity to buy cheaper products<sup>9</sup>.

More and more businesses are opting to sell online. This includes those with a physical presence and new businesses which only sell online. Sites such as Amazon, eBay, Etsy, and Not On The High Street provide ways for small businesses to access customers without maintaining their own web infrastructure – the evidence shows that the number of sellers on these sites and overall sales have grown substantially over recent years<sup>10</sup>.

A recent report found that the average UK shopper spends £226 online in a three-month period (2019)<sup>11</sup>. Clothing continues to be the most popular item purchased online. This is followed by food or drink, books, footwear, and toiletries and make-up. The same report highlights the following key points:

- most online shoppers were satisfied with their last delivery (93%);
- Royal Mail is the dominant brand in the delivery market – 74% said they trust the Royal Mail (nearest competitor – 41%);
- 66% would be more likely to use a retailer if Royal Mail was the delivery operator;
- delivery time windows, delivery updates, and the ability to track delivery are key factors – people are living busier lives, and so consumers want deliveries to fit around their schedules (rather than the other way about);
- home delivery is the preferred option (66%), followed by the Post Office; and
- the growing popularity of click and collect – more than half use click and collect (55%), largely because it is free (i.e. avoiding delivery charges) or it is more convenient.

“I was just browsing” is the main reason for not making an online purchase (39%). However, DELIVERY CHARGES continues to be an important factor (36%).

FREE DELIVERY is the most important consideration in choosing certain retailers (44%). This is followed by lowest price and the returns policy.

Royal Mail, Delivery Matters UK – Understanding Online Shopper Behaviour, 2019.

9 HIE, [A Minimum Income Standard For Remote Rural Scotland: A Policy Update](#), October 2016.

10 Etsy, [‘Sales and Shoppers Continue to Grow’](#), 2/8/2019.

11 Ibid.

## 2.2 Consumers and Areas Affected

Citizen Advice Scotland (CAS) research has estimated that at least one million Scottish consumers face surcharges, late delivery, or are even refused delivery when they try to make an online purchase (2012)<sup>12</sup>.

Key factors at play are logistics and the nature of Scotland's geography. Distance travelled for parcel delivery companies, and the fact that Scotland is categorised by some sparsely populated areas, long distances between delivery points, and difficult terrain/access in places results in potential cost-related issues when the lower volume of parcels is taken into account.

The use of third-party couriers is also highlighted within the existing research (and supported by some of the small businesses and stakeholders consulted as part of this research) to be a factor in driving up costs. Indeed, much of the existing evidence base considers what is termed the "drop density" and "last mile" issue.

Consumers living in the Highlands and Islands of Scotland and other remote areas are often reported in the existing evidence base to be most acutely affected by unfair and excessive parcel delivery surcharging. Much of the research refers to the Highlands and Islands in very broad terms – the definition of Highlands and Islands is typically said to vary from one retailer to another. For example, it can often include the Highland authority area, Scottish islands, and parts of Angus, Aberdeen City or Shire, Perthshire, Stirling and Clackmannanshire, etc.

The misclassification of postcodes continues to be a source of much frustration for consumers and smaller businesses (e.g. addresses recorded as being on an island when they are on the mainland). This has resulted in consumers living in these areas experiencing a higher cost for parcel delivery – on average 30% higher than for other areas of Great Britain (and higher still for island addresses)<sup>13</sup>. Consumers living in the Highlands and Islands are therefore paying a "premium" for home delivery compared to consumers living in urban and less remote areas.

## 2.3 What are the Issues Faced by Scottish Consumers

The main issues that consumers living in affected areas of Scotland have faced over the years are typically reported as follows:

- being charged extra because of where they live (and more specifically their postcodes);
- "free UK delivery" and "next day delivery" claims on retailers websites – but many consumers that live in remote areas are then excluded;
- surcharges added at the end of the online buying process (or after the sale has been completed) – online retailers market goods/services at an attractive price to gain interest which hides the real price for consumers living in rural and remote communities (e.g. unclear and misleading claims);
- high, disproportionate, and/or at times inconsistent surcharges;
- longer, slower delivery times; and
- no delivery available to some remote or rural areas<sup>14</sup>.

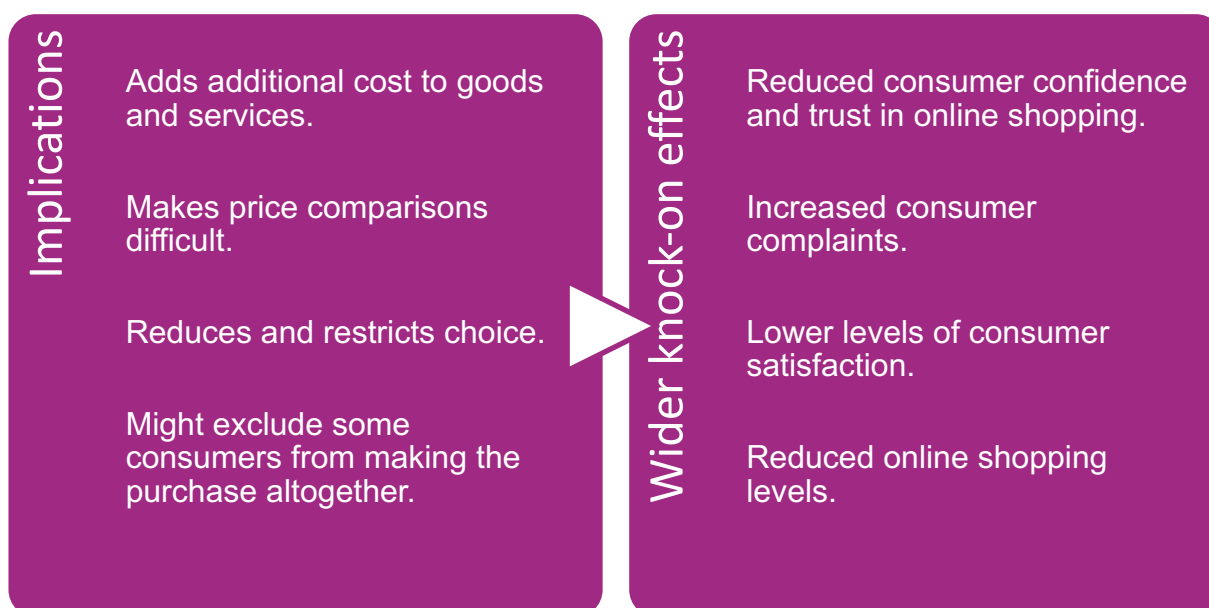
<sup>12</sup> CAS, [The Postcode Penalty. How some online retailers are disadvantaging Scottish Consumers](#), 2012.

<sup>13</sup> CAS, [The Postcode Penalty: Delivering Solutions](#), 2017.

<sup>14</sup> CAS, [The Postcode Penalty. How some online retailers are disadvantaging Scottish Consumers](#), 2012.

With the continued growth in online shopping, the implications and knock-on effects for consumers living in (or indeed considering moving to) rural and remote areas in Scotland are clear, **Figure 2.2**.

**Figure 2.2: Implications of Parcel Delivery Charges for Consumers**



Research has shown that additional costs can often depend on the products on sale, the weight of the item, how they are delivered, and where products are delivered to. Many different factors are affecting online delivery surcharges: type and size of retailer, lack of control over delivery costs, size and weight of item, parcel operators used, and handling charges<sup>15</sup>.

## 2.4 The Issue Affects Scottish Businesses Too

There are almost 15,000 businesses based in remote and rural areas of Scotland<sup>16</sup>, and the vast majority are small or micro businesses. It would be fair to assume that most are likely to regularly order items online for business use, while many will also sell goods online.

CAS published research in 2014 into the experience and impact of online delivery costs on businesses' day-to-day operations. The research found that<sup>17</sup>:

- almost 90% of businesses that responded to the survey regularly faced an additional surcharge for delivery due to their location;
- misleading claims of free delivery, issues of being classed as “offshore” or “remote” (when this was not necessarily the case), and delays in delivery were all commonplace;

<sup>15</sup> The Consumer Council, [Package Deal – Retailers and Delivery Surcharges](#), May 2019.

<sup>16</sup> The Scottish Government, [Rural Scotland: Key Facts 2018](#).

<sup>17</sup> CAS, [The Postcode Penalty, The Business Burden](#), April 2014.

- the majority of suppliers did not offer delivery by Royal Mail as an option – and so the Universal Service Obligation does not apply to many items ordered by rural businesses. Further, the general view was that many sellers were unwilling or unable to depart from their standard carrier arrangements (e.g. exclusive arrangements with specific couriers);
- 86% would be happy to collect items from their local Post Office if the cost of delivery could be reduced; and
- 76% felt that the costs of ordering online had a substantial impact on their business – decisions to be made around whether they absorb high delivery costs (i.e. lowering profit) or pass the cost onto customers (i.e. competitive disadvantage).

## 2.5 An Issue That Has Not Gone Away

While the issue has not gone away, updated research published by CAS (2015)<sup>18</sup> has highlighted where some progress and traction have been made:

- fewer retailers add a surcharge compared to three years ago (from 50% in 2012 to 44% in 2015 – Highlands; from 62% to 53% for Island residents);
- fewer retailers now refuse to deliver to remote areas; and
- online retailers are better at complying with regulations (e.g. improved clarity and availability of online delivery information).

That being said, the same research also found an increase in the number and level of delivery surcharges.

There is recognition within the evidence base that higher retail costs are inevitably a common feature associated with living in remote and rural areas. This is largely because goods are more expensive to transport to these areas – e.g. extra fuel costs, ferry costs, and costs arising from the return leg being empty.

From a review of the research, the main issue yet to be resolved is around the extent to which delivery charges to certain areas are fairly and transparently set as opposed to arbitrary (and therefore disproportionate to the actual cost).

## 2.6 Estimating the Additional Cost to Scotland

In terms of the financial impact, the Scottish Parliament Information Centre (SPICe) has estimated that the additional cost to Scottish consumers of parcel delivery surcharges has increased year on year, from £36.3 million (2017) to £38 million (2018)<sup>19</sup> and to £40.1 million (2019)<sup>20</sup>.

<sup>18</sup> CAS, The Postcode Penalty: [The Distance Travelled, Progress on Parcel Deliveries in Scotland 2012-2015](#).

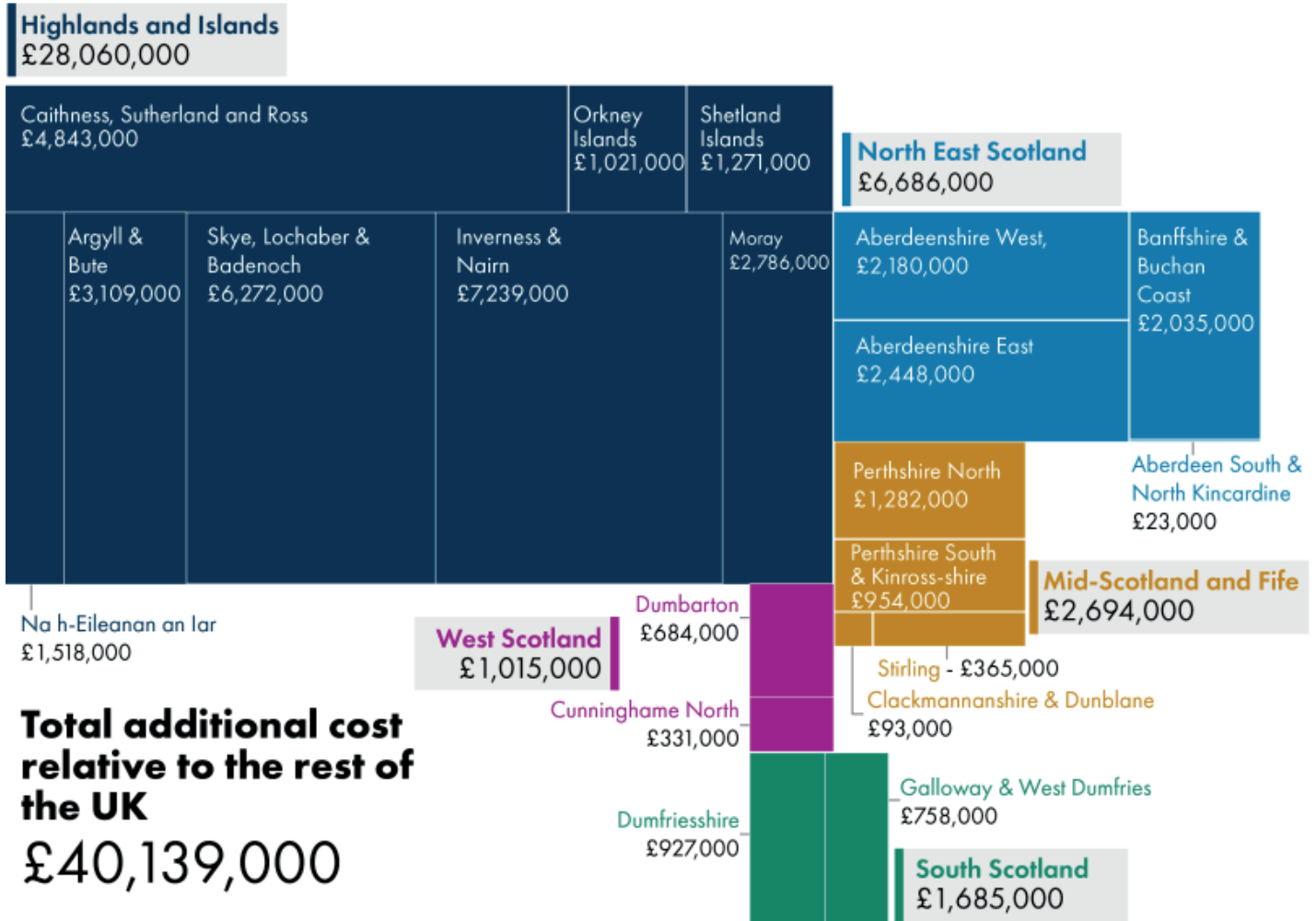
<sup>19</sup> SPICe, [Estimating the additional cost to Scotland of parcel delivery surcharges](#), 18 December 2018.

<sup>20</sup> SPICe, [Scotland's parcel delivery surcharge cost on the up](#), 26 November 2019.



SPICe has also produced a breakdown of this by Scottish Parliament constituency – see **Figure 2.3**.

**Figure 2.3: Constituency Breakdown of Surcharges, 2019**



Source: SPICe. Figures may not sum due to rounding.

A Scottish Parliament Members Business debate was held in December 2019 and reaffirmed the issues described above. MSPs expressed their continued frustration with unfair delivery charges, while recognising the steps that have been taken by a range of organisations over recent years to tackle it<sup>21</sup>.

21 [Scottish Parliament Business Report](#), 4/12/2019.

## 3. A Collaborative Approach

### 3.1 Introduction

There appears to be widespread acknowledgement within existing research that more needs to be done around the issue of the level and, importantly on the transparency, consistency, and fairness of parcel delivery charges to consumers living in rural and remote areas.

There continues to be a lot of campaigning on the issue – not least because it would appear that some retailers do not apply surcharges, while others apply reasonable or minimal surcharges, while still others apply huge surcharges. Our understanding is that there is no marketplace consensus on what constitutes a “fair” surcharge.

“We talked to five of the largest (parcel delivery operators) and much of this has now been published. We found that four out of five of those operators, Royal Mail being the exception, do charge surcharges in some parts of the Highlands and Islands. The amount that retailers pay is extremely variable, because the larger retailers do negotiate very hard with the parcel operators to strike contracts for bulk delivery of goods. The amount that consumers then pay is also very variable.....some retailers absorbing all the cost, all the surcharge, and others charging more than the operator is charging them for delivery. It is a very mixed picture”.

“...very much down to the contracts that the operators have with the particular retailers and of course it is then the retailers that ultimately determine what price the consumer pays for deliveries. There is not consistency, as it were, either in where the surcharge applies, but also on how and whether it is passed on to consumers in those areas”.

Consumer Group Director at Ofcom. Scottish Affairs Committee  
Oral evidence: Delivery charges in Scotland, HC 752  
Tuesday 27 February 2018.

It is clear that there needs to be a mix of solutions that aim to bring about change and to improve the situation. Over the years, the evidence base has highlighted a range of recommendations or considerations. Among other things, this has included:

- greater transparency and accuracy of delivery cost information;
- improvement of delivery speeds;
- alternative delivery solutions (e.g. networks of pick-up and drop-off locations, consolidating deliveries in central points);
- enforcement of current regulation in this area;
- effective code of practice/common standards/quality system by which all retailers and couriers should abide by; and
- regulation of parcel deliveries<sup>22</sup> (it is currently a reserved issue).

<sup>22</sup> Note: Royal Mail is regulated by Ofcom.

It is further recognised that a collaborative and cooperative approach is required to achieve this change – consumers, retailers, parcel delivery operators, and the public sector – to help identify and accelerate action, including the development of new and innovative approaches to solving the known challenges in delivering parcels to remote and rural areas in Scotland.

A recent commitment has been made by the Scottish Government to continue working on the issue:

“...continue our work to tackle unfair delivery charges. The harm caused by these are felt most by our rural, island and remote communities and we will take action by launching the Scottish Parcel Delivery Map. We will introduce a new postcode tool to reduce the instances of unfair delivery charges resulting from postcode misclassification”.

Source: The Scottish Government, Protecting Scotland's Future, The Government's Programme for Scotland 2019-2020.

### 3.2 Awareness Raising

A substantial amount of activity has been undertaken to date in an effort to understand the causes of the issue, explore potential solutions, bring together different stakeholders, and – where necessary – take action in an effort to tackle unlawful practice.

To date, various organisations and individuals have played a leading role in this work alongside the Scottish Government. This includes CAS, the Consumer Protection Partnership (CPP), Highland Council, the Advertising Standards Authority (ASA), several MSPs and MPs, and some online retailers and parcel delivery companies.

Given that postal and parcel delivery is not a devolved matter, the Scottish Government continues to use its influencing role to work (at a UK level) collaboratively with online retailers and parcel delivery operators to shine a light on the issue and to drive change. Some key actions by the Scottish Government and other key partners have included:

- parcel delivery summits, ministerial roundtable discussions, and business debates;
- the Fair Delivery Charges campaign led by Moray MSP Richard Lochhead;
- establishment of a short-life working group involving all key parties to help develop the Statement of Principles;
- launch of the Statement of Principles – aimed at online retailers but not parcel delivery companies; and
- publication of the Fairer Deliveries For All: An Action Plan – with Action 4 committing the Scottish Government to work with industry to increase the reach and impact of the Statement of Principles:
  - raise awareness of the Principles among retailers;
  - develop the Principles into a simple pledge for retailers to sign up; and
  - explore how the Principles can be more usefully applied to parcel couriers.

At the same time, wider good practice developments have also taken place – examples include:

- the development of Highland Parcels – a new service provided by Menzies Parcels to help address the issue of surcharging and to provide a more cost effective and convenient service to consumers <https://www.highlandparcels.com/>;
- a new website hosted by the Highland Council's Trading Standards team – <http://www.deliverylaw.uk/> – which provides information for consumers, businesses and practitioners on their rights and obligations in relation to parcel delivery; and
- <https://consumeradvice.scot/> funded by the Scottish Government providing practical and impartial advice on resolving consumer problems, including delivery issues. Information is shared with regulators where appropriate.

### 3.3 The Statement of Principles

The Statement of Principles was launched in 2013 by the Scottish Government. The five Principles were designed to assist retailers in their policies on the delivery of goods purchased over the internet by individual consumers, through setting out best practice principles as to how they can ensure their delivery services meet the needs of their customers. The Principles are as follows:

- Principle 1: Online retailers should ensure that their delivery pricing policies do not discriminate against consumers on the basis of their location. Geographic surcharges should be applied only when these costs are justified by objective criteria, such as actual and unavoidable costs incurred because of the distance. The level of any necessary geographic surcharges applied should reflect the true additional cost of delivery.
- Principle 2: Online retailers should ensure that their delivery coverage policies do not discriminate against consumers on the basis of their location. Online retailers should use their best endeavours to provide the widest possible delivery coverage, refusing delivery only when this can be justified by objective criteria. Possible objective criteria may be that the dimension and/or weight of the item falls outwith the scope of the universal service obligation.
- Principle 3: At the earliest possible stage in the online buying process, online retailers should ensure that consumers can easily access clear, timely and transparent delivery policy information, including information on any possible necessary geographic surcharges or delivery restrictions that might apply, and the reasons for such variations.
- Principle 4: Online retailers, working with their carriers, should endeavour to offer delivery options that are innovative and responsive to the changing market and needs of their consumers. Online retailers should provide consumers with transparent information about delivery options before they complete their order.
- Principle 5: Online retailers should seek to provide consumers with other relevant delivery information that they hold at the time the order is completed and/or dispatched.

A slightly modified version of these Principles were adopted by the UK Government in 2014<sup>23</sup>.

The Statement of Principles is not a code of practice, form of regulation or endorsed Kitemark. Rather, adoption by retailers is on a voluntary basis. This makes it difficult to easily assess levels of adoption. There is, however, some existing evidence on the level of awareness of the Principles, as outlined below.

“We found low levels of awareness among businesses surveyed. Only four businesses responding to the survey of FSB members stated that they were aware of the SoP, and three of these stated that they voluntarily complied with it.

Clearly if the SoP is to improve customer experience of parcel deliveries more needs to be done to increase awareness and acceptance among online retailers. We recommend that the UK Government does more to obtain buy-in from delivery operator and retailers, with a plan of action to promote the scheme”.

Source: CAS, The Postcode Penalty:

The Distance Travelled, Progress on Parcel Deliveries in Scotland 2012-2015.

This is perhaps not a surprising finding given that: the CAS research was undertaken relatively soon after the Statement of Principles was launched in Scotland – it does take time for awareness levels to spread and grow; and with the exception of press coverage when the Statement of Principles was launched by the Scottish Government and again when it was published in revised form by the UK Government, along with promotion on partners’ websites (e.g. CAS) – there has been limited awareness raising campaigns undertaken with online retailers. This is not to say, however, that activity around the issue of parcel delivery surcharging has lessened.

This specific research has sought to gauge levels of awareness of the Statement of Principles. This is considered further in the next two chapters.

<sup>23</sup> UK Government, [Statement of Principles for Parcel Deliveries](#).

## 4. Stakeholder Perspectives

### 4.1 Introduction

A series of meetings and telephone interviews were undertaken with the Scottish Government and partner organisations to gauge awareness and views on the reach and impact of the Statement of Principles.

We consulted with thirteen individuals across ten organisations. Among others, this included Citizens Advice Scotland (CAS), the Consumer Protection Partnership (CPP), Advertising Standards Authority (ASA), Highland Council Trading Standards, and four delivery operators (**Appendix A**).

All of the individuals/organisations consulted have been highly engaged with the issue of unfair parcel delivery surcharging over a number of years – some, such as CAS and the Consumer Council for Northern Ireland (CCNI), have also published extensive research on the issue. The focus of the consultations was on establishing what role the Statement of Principles has played, and views on how effective it has been or has the potential to be.

### 4.2 Awareness and Use of the Statement of Principles

The main view of stakeholders was that while awareness of the issue of unfair parcel delivery surcharging has grown in recent years, particularly in Scotland, specific awareness of the Statement of Principles among retailers, delivery operators and the wider public is more limited. This links to a point made in **Chapter 3** around the lack of an awareness raising campaign of the Statement of Principles.

As highlighted above, some consultees had been involved in the development and drafting of the Principles. However, the overall sense from stakeholders is that the Statement of Principles has not been regularly used or referenced since that time. This is perhaps not surprising given that the Principles are aimed at online retailers. That being said, reference was made to the promotion of the Principles across various websites (e.g. CAS, Delivery Law UK).

It was reported that the increased profile of the issue of unfair parcel delivery surcharging has in large part been due to:

- the focus and effort placed on it by various stakeholders (e.g. CAS, CPP, Highland Council, ASA, political representatives);
- the prominence it has been given in parliament;
- high profile news coverage; and
- the growing importance of ecommerce.

The general consensus is that the Statement of Principles has often been, at best, a footnote within this wider activity to tackle the issue – “it is not widely known as it has no status” (the Statement of Principles has no legal status).

That being said, stakeholders felt that the Statement of Principles has played a role in helping to raise the profile of the issue, and has enabled a positive direction of travel – at what was then a relatively early stage of the overall journey in stimulating debate on the issue of parcel delivery surcharging. The subsequent development of the Fairer Deliveries For All: An Action Plan was mentioned by stakeholders, and considered to be another positive step.

In this sense, the Statement of Principles is viewed favourably as part of the wider “package” of actions and activities that have been taken forward to address the issue (e.g. campaigning, debate, research, enforcement). However, it was reported that there has been no specific focus on encouraging online retailers to adopt the Principles (i.e. the intended audience). As such, awareness and use of the Statement of Principles is considered to be limited.

Some stakeholders reported that the Statement of Principles has, however, been referenced in materials that they or partners have produced. For example, Highland Council Trading Standards enclosed the Statement of Principles within a round of enforcement letters.

The general sense, however, is that reference has lessened over time. Here, stakeholders made reference to more recent developments and comprehensive tools, such as the Delivery Law website. Another example provided was that the enforcement notice issued by the ASA (2018) made no reference to the Statement of Principles.

Highland Council emphasised that having the UK Government “stamp” on the Statement of Principles was helpful/useful when approaching retailers and local government trading standards colleagues in other parts of the UK, where awareness of the issue is lower (as consumers in these areas are not impacted by unfair surcharging, so trading standards there are rarely dealing directly with complaints).

### 4.3 The Wider Picture

Views are mixed on whether the situation is improving.

Stakeholders said that the Statement of Principles covers what are effectively two separate issues:

- the transparency of charges, having clear information about deliveries, and no misleading omissions; and
- the existence, extent and fairness of any surcharge.

It was reported that the transparency issue is already covered by various legislation and self-regulation (e.g. The Consumer Rights Act 2015, Consumer Protection from Unfair Trading Regulations 2008, the Committee of Advertising Practice Code), and that more proactive enforcement is now also taking place. Nonetheless, it was reported by both Trading Standards and the ASA that they do not go out of their way to seek out breaches of the law, and are reliant on consumers bringing genuine cases to light.

There is a feeling that work has “gone as far as it can” in this area. Effort has gone into raising the profile of the transparency of charges, and following through with enforcement action where required. Key players within the CPP and the ASA are highly engaged with the issue, and along with Trading Standards, reported a strong level of compliance when taking enforcement action. However, there is recognition that they cannot single-handedly contact every ecommerce trader. It is felt that the major marketplaces (e.g. eBay and Amazon) have a role to play here, as many smaller traders make use of these platforms.

Therefore, as this casework is generated by consumer complaints, these agencies are said to be reliant on a continued public focus on the issue, as well as consumers being more aware of their rights and of the responsibilities of retailers. It is felt that this requires ongoing work – the Delivery Law website being a good example of one way this is being done.

The second issue covered by the Statement of Principles is felt to be more complex: the level and fairness of any surcharge. In particular, it was reported that this is outwith the remit of existing legislation, which makes it challenging to gauge progress on the extent to which this particular issue has been addressed.

While it was reported that some retailers have stopped surcharging (e.g. Argos<sup>24</sup> and Wayfair<sup>25</sup>), one of the biggest ecommerce platforms, Amazon Marketplace, began permitting it in 2019<sup>26</sup>, a reverse of its previous policy laid out before the Scottish Affairs Committee (2018)<sup>27</sup>.

The CPP reported that it is trying to enhance its understanding of surcharging, and more specifically the basis on which it is calculated and used by delivery operators. The CPP has also asked that Ofcom use its information gathering powers to request this technical information from delivery companies – this work is being led by CCNI.

There is a feeling that if the situation is improving, it would be fair to attribute this to the collective efforts of Scottish Government and key stakeholders, including the work of individual MSPs and MPs, in pressuring retailers and keeping the issue in the public eye. It was reported that maintaining a high profile encourages consumers to raise complaints and, where appropriate, leads to enforcement action.

Although it is reported that larger retailers have typically been the focus of press coverage around unfair delivery charges, it is felt that they are now likely to have a handle on the issue and complying with legislation. The extreme examples of excessive delivery charges and unlawful practice are now said to be more likely to come from smaller traders (e.g. those dealing with fewer orders to remote and rural areas).

24 Scottish Affairs Committee, [Written evidence submitted by Argos](#), 27/02/2018.

25 eDelivery, [‘Wayfair extends free UK delivery after ‘rip off’ surcharge campaign’](#), 11/03/2019.

26 Tamebay, [‘Amazon UK Shipping Region Surcharges Introduced’](#), 08/05/2019.

27 Scottish Affairs Committee, [Oral evidence: Delivery Charges in Scotland](#), 27/02/2018.



## 4.4 Content of the Principles and Barriers to Adoption

Stakeholders are, as a rule, not regularly using or referring to the Statement of Principles – and did not have particularly strong views on its content.

Some, however, felt that the Principles do not go far enough, and are fundamentally limited by its status as a voluntary best practice code.

Some stakeholders made reference to the Statement of Principles being developed as a “compromise” between different parties. The result is that there is little to disagree with, but also that the Principles are worded in such a way that retailers can and would say they are already adhering to it.

For example, it was reported that ecommerce businesses will not want to limit their customer base – it is “commercially not sensible to disenfranchise consumers”. They are therefore unlikely to want to limit geographic coverage unless there is a clear justification for so doing.

It is reported that ensuring delivery pricing information is clear and upfront is already written into law (i.e. the Consumer Protection from Unfair Trading Regulations 2008 & Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013), and has been enforced by the ASA and Trading Standards on that basis. It is felt that this element of the Statement of Principles could therefore be strengthened to reflect this position.

Some stakeholders felt that, if the Statement of Principles is to be relaunched or renewed, work should go into looking at the detail of the Principles, including the wording. The focus should be on simplification. It was reported that there are various strands of existing legislation, and that the challenge would be to tie it all together in a simple yet meaningful way.

It was also mentioned that the first Principle appears to be contradictory – pricing policies should “not discriminate against consumers on the basis of their location”, but then adds that surcharges should only be applied where they can be justified. Amending this to read “unfairly discriminate” would be clearer.

The Statement of Principles is not felt to be controversial in terms of tone and content, and so the main barrier to adoption for online retailers is generally considered by stakeholders to be a lack of awareness. It is recognised that many, particularly larger retailers, will already be complying with the Principles in practice.

Presently, it is reported that there is little for retailers to gain from formally adopting the Principles, and that the “owners” of the Statement of Principles (the Scottish Government, UK Government, and CPP) have rarely – if at all – engaged retailers.

## 4.5 Developing a Pledge

Consultees were asked for their thoughts on whether there would be value in developing a “simple pledge” that retailers could sign up to, based on the Principles.

There was some uncertainty about exactly what form this would take, and a range of comments were provided:

- there are already a sizeable number of voluntary accreditations that businesses can sign up to – it may be hard to make an impact with a new code of practice;
- other voluntary schemes, such as the Scottish Business Pledge, tend to have a broader remit and cross-cutting themes. With parcel deliveries, it may be hard to get businesses to sign up to a scheme where the issue is of relevance to only a small proportion of their total sales;
- it would effectively be a relaunch of the existing Statement of Principles – “rerunning the conversation from 2012” – just simplifying, clarifying or shortening the Principles may not necessarily mean it will have a greater impact; and
- it may be more useful to focus on other actions proposed in the Fairer Deliveries For All: An Action Plan (e.g. furthering understanding of what a fair delivery price is through the interactive data hub, improving postcode classifications, and exploring innovative solutions through the Improving Consumer Outcomes Fund).

Officials from the Highland Council Trading Standards felt that there is a clear case for introducing some form of quality mark or accreditation scheme. This is something that has been explored in the past, although these officials recognise that Highland Council does not have the resources to introduce it on its own. It would also be strongly reliant on retailers wanting to be part of it, and it was felt that this remains unclear.

## 4.6 Extending to Delivery Operators

Views on whether the Statement of Principles should be extended to apply to parcel delivery operators, and whether this would be an effective mechanism to tackle the issue are also mixed. In part, this is because there is felt to be some “buck-passing” between retailers and delivery operators on where responsibility lies for the issue of parcel delivery surcharging.

It is reported that the parcel delivery market is highly competitive and couriers emphasise that they continue to look for ways to be more efficient and lower costs, so it is “not in their interests” to put up prices for consumers or retailers beyond what is deemed necessary.

It is not clear that, by itself, extending the remit of the Statement of Principles to delivery operators would have the desired impact of pushing parcel delivery operators to resolve issues around unfair surcharging.

Delivery operators were also asked if they feel they have a responsibility to advise their retail customers on best practice and regulatory issues around fair deliveries. One responded positively to this, commenting that retailers are “coming to us as experts” in logistics, and it would be similar to how they already advise retailers about statutory return periods (albeit there is a clear commercial incentive for

couriers to make retailers aware of this). However, another delivery operator argued that they do not have a role to play here, saying it is “not our job to be police of the retail industry”, and that this should fall to relevant regulators and public authorities.

#### 4.7 Other Possible Solutions

It is widely felt that there is no “magic bullet” to solving this issue, but there is recognition that there is value in organisations continuing to work together to improve the situation, and that considerable progress has been made. The ongoing rationale for a collaborative and collective effort is clear.

One consultee described it as “a messy combination of different activities that has improved things in a relatively short period of time”.

Nonetheless, it is felt that the multi-partner approach can be a cause for confusion – particularly for retailers and delivery operators that are less engaged with the process, with sporadic requests for meetings/input and calls for evidence from various agencies, MSPs, MPs, etc.

Concerns over postcode classifications were repeated – and stakeholders pointed to a separate action within the Fairer Deliveries For All: An Action Plan to address this.

Some consultees felt quite strongly that the existing strategy of voluntary engagement and enforcement where there is a direct breach of the law (when this is reported) has run out of steam, and there is a need for much stronger action with statutory underpinning. In particular, this is considered necessary to tackle the issue of cost – it is acknowledged that the work that is being done to tackle misleading information is now having an impact.

Examples provided of what this could look like included:

- compelling retailers to offer the cheapest (cost efficient) delivery option available for an area;
- steeper penalties for companies that breach advertising law/codes of practice; and
- greater regulation of the courier market.

Specific reference was also made to Drew Hendry MP’s Private Members’ Bill of February 2016<sup>28</sup>, which proposed a fair delivery quality mark for retailers and to establish penalties for false advertising, although the Bill did not progress beyond a first reading.

<sup>28</sup> UK Parliament, [Consumer Protection \(Distance Selling Delivery Charges\) Bill 2015-16](#),

## 5. Retailers Perspectives

An online survey was undertaken to better understand levels of awareness of, and views on, the reach and impact of the Statement of Principles among businesses in Scotland, particularly those that trade online.

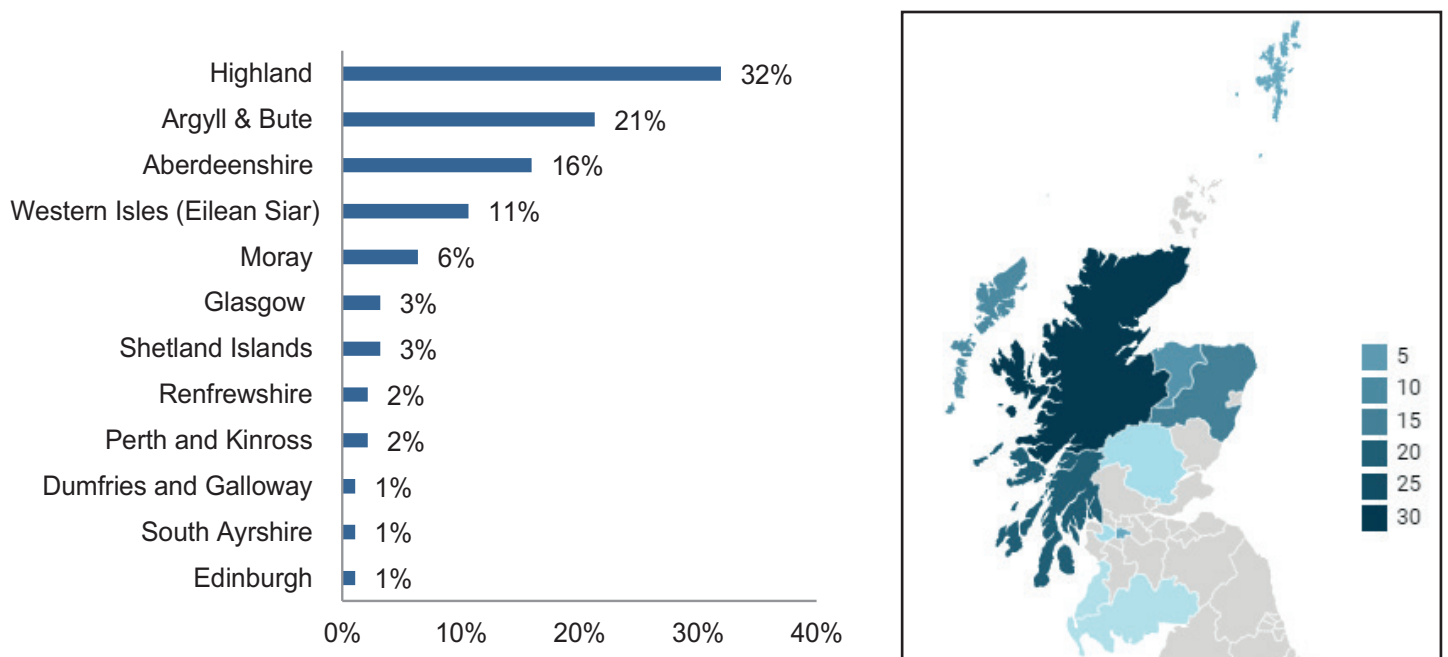
The Scottish Government issued an email introduction with the survey link to various contacts, and sought help in promoting and distributing the survey on its behalf to business contacts and members (e.g. emails, social media, newsletters). This included Business Gateway, Chambers of Commerce, Federation of Small Businesses, Scottish Rural Network, Glasgow Etsy Team<sup>29</sup>, Craft Scotland, and a sample of rural Business Improvement Districts (BIDs).

A total of 107 responses were received.

### 5.1 Retailer Profile

The survey attracted responses from businesses based in 12 local authority areas. Just over half were based in the Highlands and Argyll and Bute - **Figure 5.1**.

**Figure 5.1: Where Retailers are Based**



Base number (N)=94. Map: Datawrapper

<sup>29</sup> Collective of 2,000 sellers on Etsy marketplace.

Given that respondents were self-selecting (i.e. they chose to take part in the research), it is not surprising that a sizeable proportion were located in areas where parcel delivery surcharging is known to be an issue.

Some 90% of businesses reported that they were based in an area of Scotland that is impacted by surcharging. Only 7% said they were not<sup>30</sup>. This has heavily influenced the nature of responses received, with most businesses negatively impacted by surcharging and able to recount their personal experiences of it.

Businesses operated in a diverse range of business sectors. **Table 5.1** breaks this down, with 23% in the creative and craft sector and 12% in retail (not elsewhere classified).

**Table 5.1: Business Sector**

|  | Sell Goods Online | Do Not Sell Goods Online | Total       |
|--|-------------------|--------------------------|-------------|
| Creative & crafts                        | 16%               | 7%                       | 23%         |
| Retail – not elsewhere classified        | 10%               | 2%                       | 12%         |
| Agriculture, forestry & land             | 0%                | 11%                      | 11%         |
| Hospitality                              | 0%                | 7%                       | 7%          |
| Food and drink producer                  | 7%                | 0%                       | 7%          |
| Accommodation                            | 1%                | 5%                       | 6%          |
| Construction                             | 1%                | 5%                       | 6%          |
| Manufacturing – not elsewhere classified | 3%                | 2%                       | 5%          |
| Vehicle repair/sales                     | 0%                | 4%                       | 4%          |
| Personal services                        | 1%                | 3%                       | 4%          |
| Equipment hire                           | 1%                | 2%                       | 3%          |
| Community organisation                   | 0%                | 2%                       | 2%          |
| Other                                    | 2%                | 9%                       | 11%         |
| <b>Total</b>                             | <b>40%</b>        | <b>60%</b>               | <b>100%</b> |

N=107. Sector grouped by EKOS from open entry responses.

The vast majority of businesses were micro businesses (less than ten employees), many of which were sole traders (51%).

<sup>30</sup> The remainder were unsure.

## 5.2 Trading Online

Nearly all businesses trade online in one shape or form (94%).

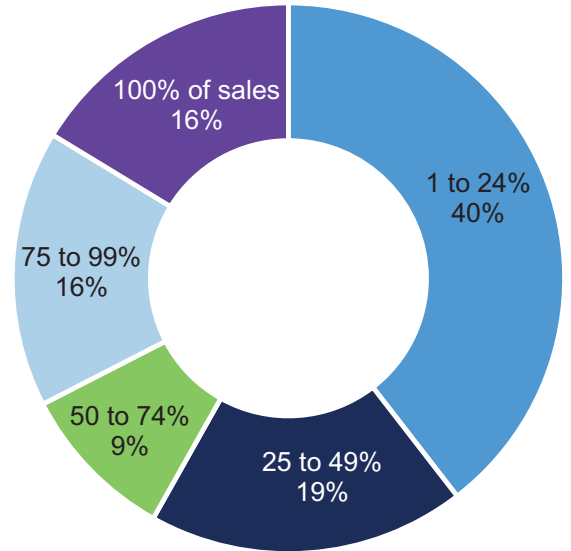
Almost all order goods online that are delivered to their business premises (93%), with a lower proportion selling goods online (40%) – **Figure 5.2**.

Among those businesses that sell goods online that are then delivered to customers, 59% reported that this represents up to 50% of its total sales. Sixteen percent of those that sell online said that all of their sales are made this way – **Figure 5.3**.

**Figure 5.2: Online Trading**

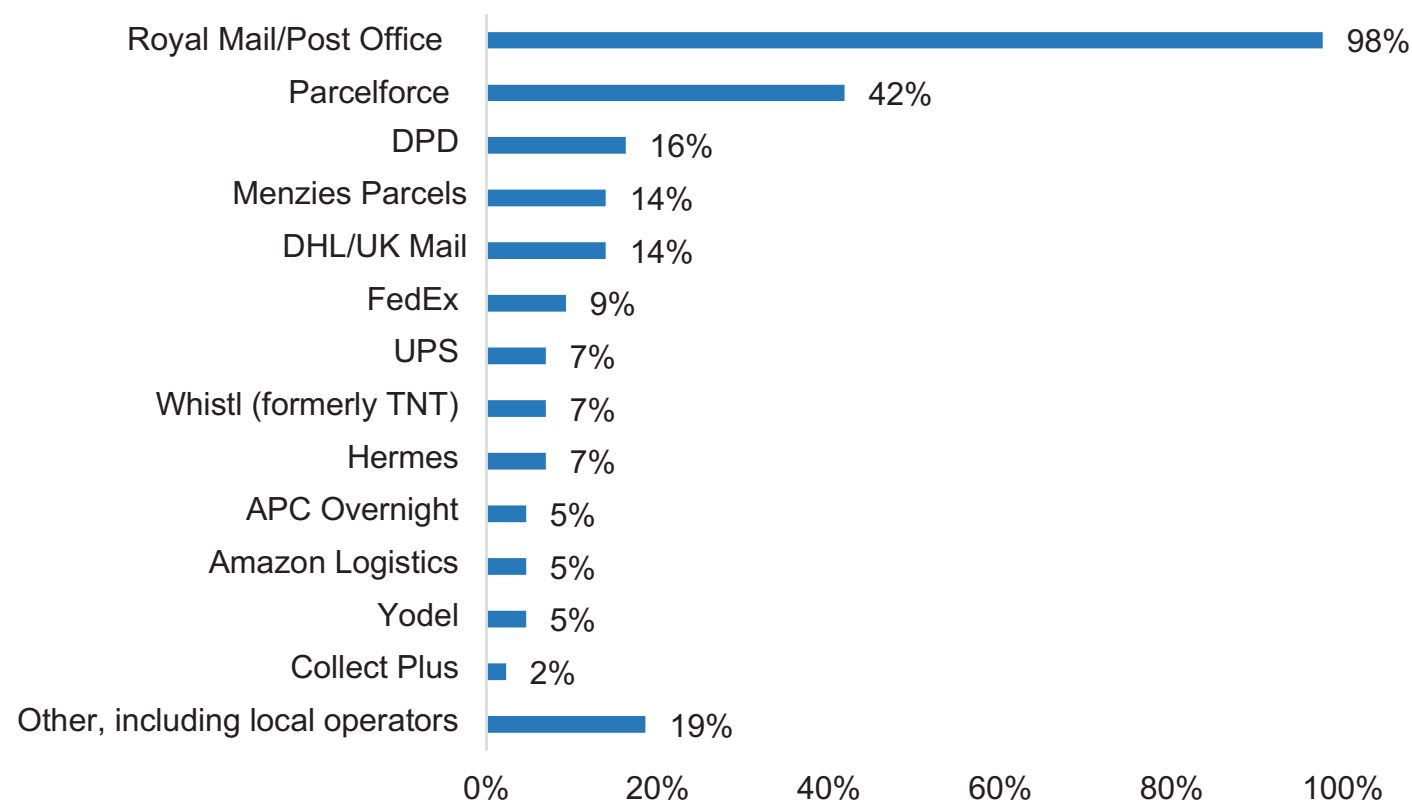


**Figure 5.3: Sales Made Online (%)**



**Figure 5.4** shows that almost all businesses that sell goods online (98%) said that they send items through Royal Mail/the Post Office network, which is covered by the Universal Service Obligation and offers same price delivery to any destination in the UK (below 20kg).

The next most common delivery operator used was Parcelforce (42%), which is also part of the Royal Mail Group, but is not covered by the Universal Service Obligation.

**Figure 5.4: Delivery Operators Used for Dispatching Goods to Customers**

N=43

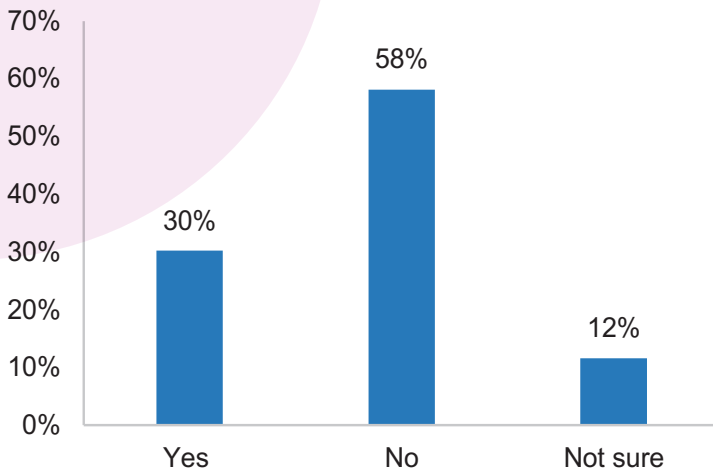
Responses under “other” included Woody’s Express Parcels (Stornoway), Mundells (Islay), Hebrides Haulage, Skye Express Parcels, Deveron Express (Banff), and M&H Carriers (covers the north-east and Highlands and Islands).

Among those businesses that sell online, 30% said that they face higher costs when sending goods to remote and rural areas – **Figure 5.5**. This relatively low figure is likely to be due to most being located in a surcharge area, and the high proportion using Royal Mail to send items.

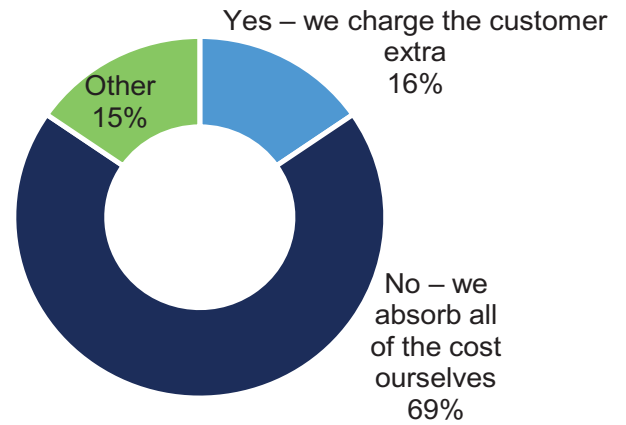
Retailers that face higher costs were asked if they pass this cost on to the customer, or absorb the cost themselves.

More than two-thirds said they cover the extra cost themselves (69%) – **Figure 5.6**. However, a high proportion of retailers are already based in a rural area, which is likely to influence this. Those that answered “other” said that it depends on the circumstances (e.g. the scale of order).

**Figure 5.5: Do Businesses Face Higher Costs when Sending to Remote and Rural Areas of Scotland?**

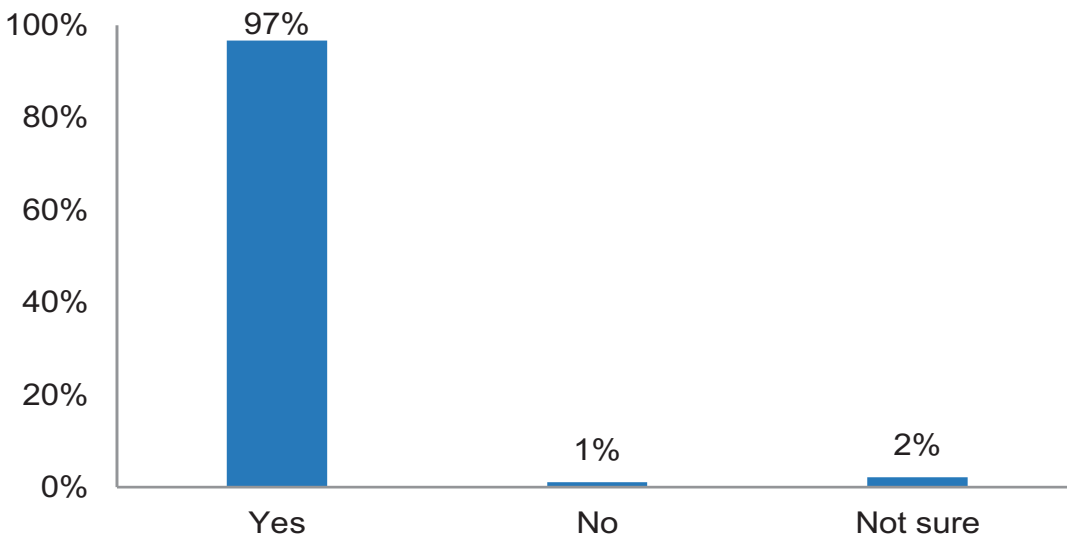


**Figure 5.6: If Face Higher Costs, is this Passed onto Customers?**



Businesses based in an area impacted by surcharging were asked if they typically face surcharges when receiving deliveries. The vast majority responded that this is the case (97%) – **Figure 5.7**.

**Figure 5.7: Does your Business Face Surcharges due to its Location when Receiving Deliveries Online?**



N=92

Detailed comments were provided on the impact that this has. Overall, the main themes which emerged were similar to those covered within the existing evidence base (**Chapter 2**). This included poor delivery coverage that prevents items being ordered, extra costs (particularly for specialist items), and having to pay extra for services such as one day or 48-hour delivery, that then take longer than specified.



Taken together, these issues were reported to have a negative impact on business viability (running costs and profit margins). A selection of comments which reflect these themes are shown in **Figure 5.8**.

**Figure 5.8: Impact of Delivery Surcharging – Examples**

*“Our primary supplier uses DPD as a courier. Our supplier charges free next day delivery to most mainland addresses, but we face delivery charges of up to £15 PER BOX for our deliveries. We are required to make orders of over £500 to bring down the delivery to £8.50 per box.”*

*“Equipment takes longer to arrive, and in some instances products are not available because the firm has a no delivery policy to Highlands & Islands which, for some, curiously, includes Aberdeenshire.”*

*“I live on an island so rely 100% on deliveries to run my business. Excessive delivery charges add to my overheads which I can't afford and means extra time shopping around. Luckily, I can use the CalMac address in Mallaig for companies that won't deliver to island addresses or charge excessively.”*

*“There have been times I've ordered a small part for a machine that would fit in an envelope at a cost of no more than £3, only to find that the postage was going to come to £14 on top of it. Sometimes we contact a company and see if they could just post something Royal Mail instead (which itself isn't that cheap). Sometimes that works, most of the time not, so we search for companies that use Royal Mail or Parcelforce, but they are few and far between. We tend not to use companies that surcharge, on principle (we are only 15 minutes from Inverness, not remote) but if there's no avoiding buying from a company that surcharges, we only put in big orders once a year to make the surcharge worth it.”*

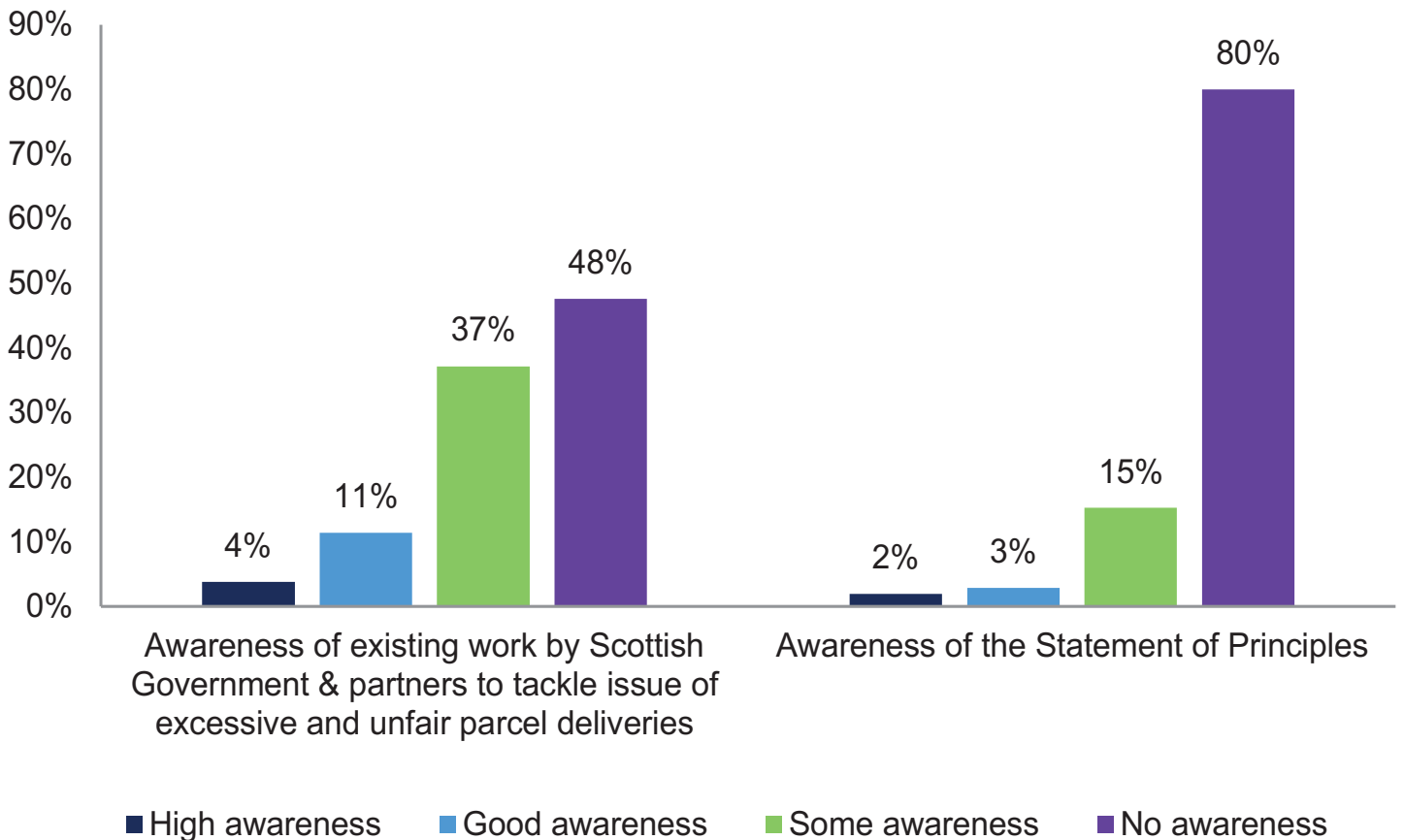
*“We can either pay extra or seek out another supplier that does not charge higher charges, which takes time – both options impact our profitability/competitiveness.”*

### 5.3 Awareness of Existing Actions

Just over half of businesses reported to have at least some awareness of work undertaken by the Scottish Government, CAS, Trading Standards Scotland and other partners to tackle the issue of excessive and unfair parcel delivery surcharging in remote and rural areas of Scotland (52%).

In contrast, 20% had at least some awareness of the Statement of Principles – **Figure 5.9**.

**Figure 5.9: Awareness of Work to Tackle the Issue**



N=105

Businesses were asked for thoughts on how the Principles could be improved or have more impact – **Figure 5.10**.

The key theme that emerged was that while the existence of the Principles and their content are viewed positively, businesses feel that they are not being widely adhered to by retailers. It was suggested that there is need for stronger regulation in this area.

Some comments also highlighted that the root cause of the issue lies with delivery operators and not retailers.

Figure 5.10: Suggestions for Improving the Principles

*"If they were made compulsory or legally binding in some way: running a small business in remote rural Scotland is hard enough without being made to pay over-the-odds for deliveries, the principle of national cross-subsidisation with more urban/profitable routes ought to apply (as it does for Royal Mail)."*

*"While these principles are laudable, they are no use if they aren't backed up by law. Businesses and couriers are not here to follow principles, they are here to make money. If you can make more money and avoid these principles, business will act with their coffers in mind. I personally think it should be illegal to discriminate price of delivery by location in the country. This should be enforced for both couriers providing delivery services and the businesses that utilise the couriers. Royal Mail manages to do this fine - why can't the other private couriers do the same? It should be a priority of the Scottish Government to take these principles and make them law."*

*"The principles are great but the carriers don't comply. In some cases the sender just refuses to send and cancels. We are discriminated against in the Highlands. We are in Glencoe but everything routed via Inverness now. When it was Glasgow or Paisley we did get tracked next day delivery and a better service."*

*"Nice principles, don't know when they were formulated, but my experience is that they have absolutely NIL effect... I have no thought on how the principles could have more impact, as English companies and couriers don't care about the Scottish Government's principles."*

*"If the code has been in existence since 2013 then it hasn't worked. Improvements are unlikely because it is voluntary. It is time to consider some form of subsidy for carriers that are prepared to service this area properly."*

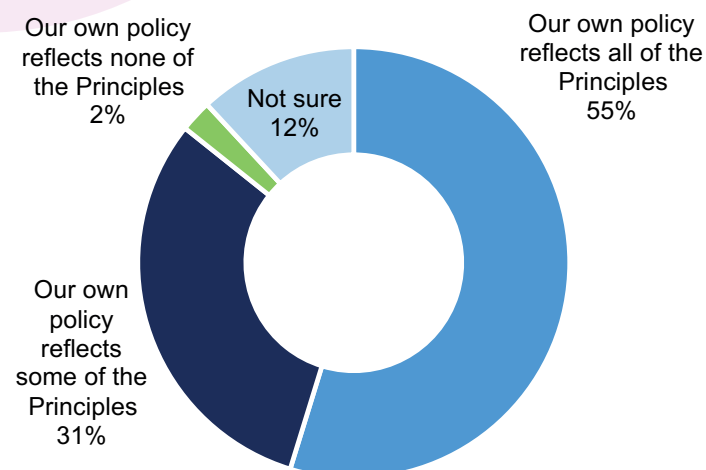
*"A voluntary approach does not appear to be working. Enforcing the principles through legislation would be more effective (or a geography lesson that Inverness is on the mainland!)."*

*"I'm not really sure who they're designed for. Every other small business and sole trader I know, charges only the cost that their shipping options cost them... it's the parcel and delivery services (excluding Royal Mail) that charge additional fees for shipping to the Highlands and Islands."*

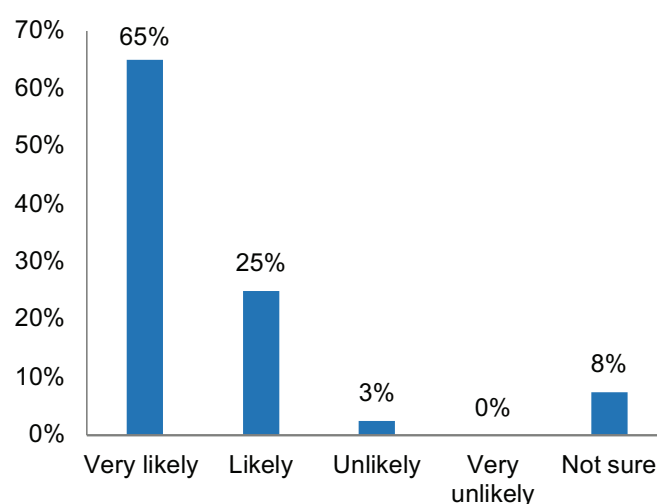
Among retailers that sell online, more than half reported that their own delivery policy reflects all of the Principles (55%), and 31% that it reflects some of them – **Figure 5.11**.

Around 90% said they would be very likely or likely to adopt the Principles – **Figure 5.12**.

**Figure 5.11:**  
**Whether Own Policy Reflects the Principles**



**Figure 5.12:**  
**Likelihood of Adopting the Principles**



Retailers provided information on how their existing delivery policy reflects the Principles:

- most specified that they do not surcharge as they use Royal Mail to despatch items;
- some mentioned that delivery information/pricing is clearly stated on their website, including for international orders;
- others specified that they try to keep delivery costs to a minimum, but that their options are limited by their location e.g. limited range of carriers, making meeting Principle 4 difficult;
- some businesses mentioned keeping customers informed of delivery options before checkout and/or about delivery schedules or other relevant information about their purchase at an early stage (e.g. potential delays);
- one business mentioned offering a local pick-up option for people in the immediate area; and
- one business highlighted that calculating postage at an early stage can be difficult, as they often produce custom items.

A couple of businesses mentioned that they do not “actively” capture information from customers about their delivery experience.

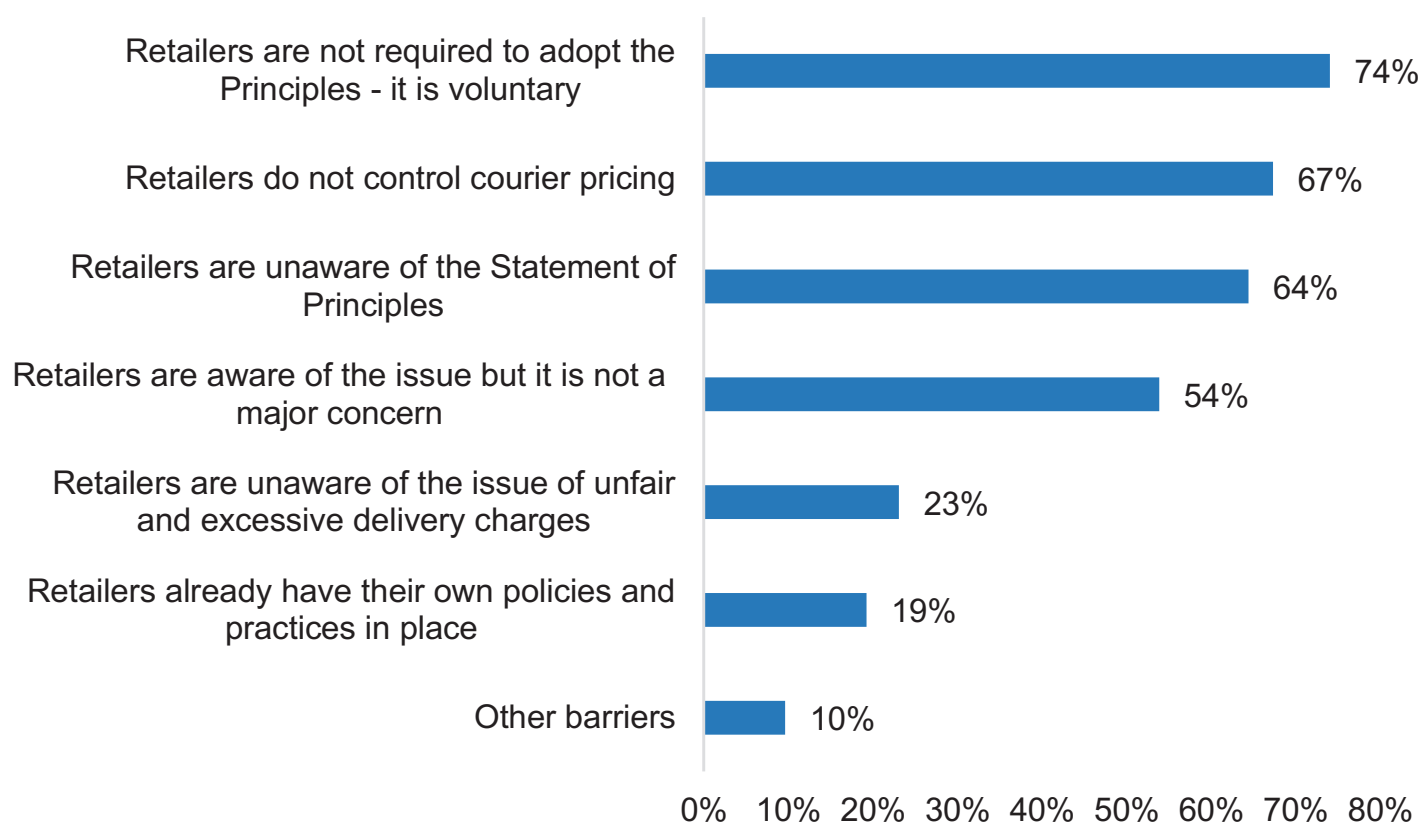
Retailers also explained why they would be “likely” or “very likely” to adopt the Principles, with most commenting that they already adhere to them (albeit not all provided further detail on how they do this or provided examples), that it makes good business sense, gives customers confidence, and/or that they think fairness is important.

## 5.4 Barriers to Adoption of the Principles

There appears to be a number of factors at play when consideration was given to why the Statement of Principles has not been more widely adopted by retailers – **Figure 5.13**.

The top four responses were: the voluntary nature of the Principles, that delivery pricing is out of the hands of retailers, limited awareness of the Principles, and while retailers are likely to be aware of the surcharging issues, it is not a major enough concern.

**Figure 5.13: Barriers to Adoption of the Statement of Principles**



N=104

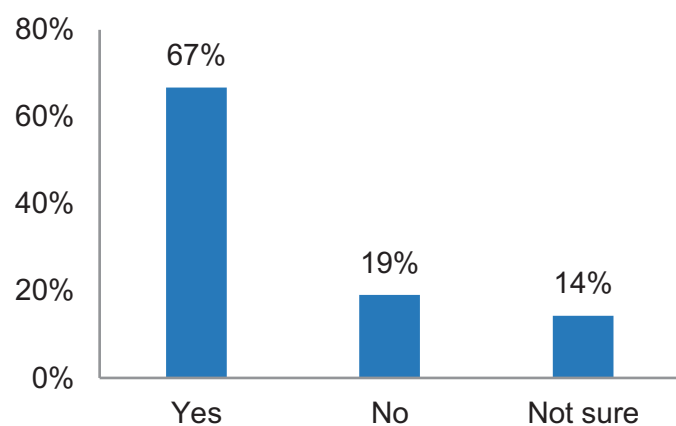
Responses under “other” barriers included that retailers do not understand the geography of Scotland, and they think the market that is impacted by the issue is insignificant.

## 5.5 Further Action

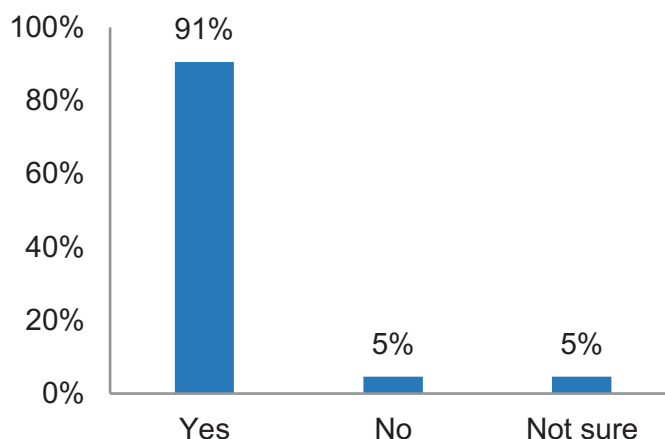
There was relatively strong support among businesses for the development of a simple pledge that large and small online retailers can sign up to, showing their commitment to fair deliveries (67%), **Figure 5.14**.

The vast majority of businesses also felt that the Principles should be extended to cover delivery operators (91%), **Figure 5.15**.

**Figure 5.14: Support for the Development of a Pledge?**



**Figure 5.15: Should the Principles Apply to Delivery Operators as well as Retailers?**



Businesses that felt the Principles should be extended to cover delivery operators generally reported that pricing discrimination should be prohibited by law. Wider feedback was that there should be accreditation or licensing of couriers with flat pricing as a condition, and there was general frustration with how postcodes are classified by couriers.

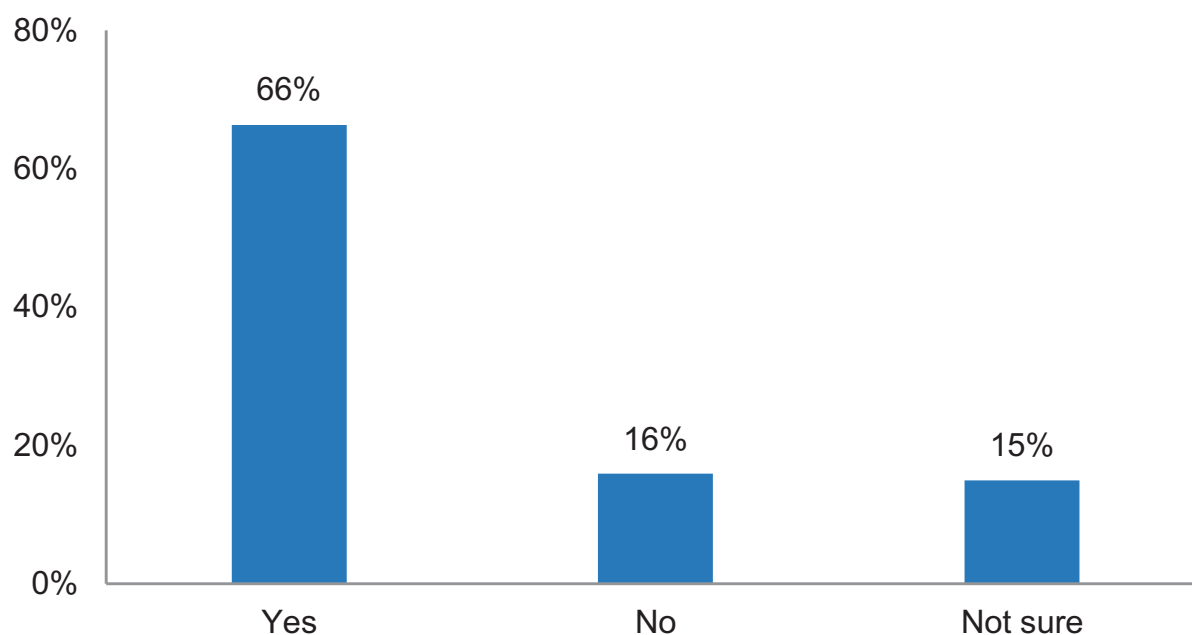
The handful of businesses that did not think the Principles should be extended to cover delivery operators (or were unsure) made comments including that they recognise delivery prices are higher to rural areas, that often more than one carrier is involved (pushing up the cost), and that volumes are lower.

One business commented that they did not believe extending the Principles would be worthwhile, as it “hasn’t worked (with retailers), and the voluntary nature of the scheme will ensure that remains the case”.

Two-thirds of businesses felt there would be value in trying to raise further awareness of the Principles, **Figure 5.16**. Suggestions included:

- greater communication with businesses, including through membership organisations and other mechanisms;
- promotional campaigns, including social media, online, press and television;
- writing to large sellers (although one comment was that the “problem is often more acute with small sellers” – this also reflects the feedback from stakeholders);
- “naming and shaming” businesses that go against good practice;
- introducing the Principles during Business Gateway training for new businesses – “get them involved at the start”;
- asking delivery operators to formally adopt the Principles; and
- more direct intervention e.g. regulation, enforcement, or forcing retailers to offer Royal Mail as an option, which may “encourage couriers to be more creative in response”.

**Figure 5.16: Value in Trying to Raise Further Awareness of the Principles?**



N=104

Businesses were asked for any other ideas they have to tackle the issue of unfair or excessive parcel delivery charges and policies. **Many reiterated the need for legislative action to impose flat pricing across the UK**, with other suggestions including:

- greater incentives for couriers to avoid surcharging e.g. tax breaks or subsidies;
- encouraging collaboration among logistics/delivery operators e.g. shared drop-off points, having a single carrier for designated postcodes;
- clearer information on the rationale/financial basis for surcharging;
- legislating for standard or maximum delivery rates;
- better use of Royal Mail as an option for last mile delivery by other operators; and
- defining what an excessive charge is.

## 5.6 Final Comments

Businesses provided a range of additional comments:

- many expressed their general frustration with the issue, citing experiences where companies have refused to deliver items to them or imposed surcharges the respondent felt was unnecessary, and the impact that this has on their business (“Surcharges have been a stressful, annoying, expensive and almost unavoidable part of my business and of Highland life since we started buying online”.);
- in general, businesses felt that their suppliers in other parts of the country have a poor understanding of both the issue itself and the geographical composition of Scotland, leading to confusion over postcodes and shifting of blame between couriers and retailers (“We have been in discussion with sellers saying they will post things Royal Mail and they then try and charge more as it’s to a Scottish island. Having to go back and say Royal Mail do not charge more for islands is frustrating”.);
- several businesses commented that surcharging and a lack of delivery options has limited their own growth and harms economic opportunities in rural areas (“I do not sell items online or post items because of the difficulty of finding a courier and of course the cost – I would have to find a courier because the Post Office will not insure pottery”.); and
- they are appreciative that steps are being taken to address the issue (“Thank you for taking this issue seriously, it’s been ignored for too long”).

## 5.7 Wider Desk Review

This section summarises the views and recent actions of a number of significant retailers on the issue of surcharging and unfair delivery policies, sourced from existing evidence as well as consultation with industry body the Interactive Media in Retail Group (IMRG).

**Amazon** had 280,000 registered sellers trading on its UK marketplace in September 2017, which has likely grown since then. It previously did not have an option for marketplace sellers to surcharge (which they highlighted during evidence to the Scottish Affairs Committee February, 2018) but revised this in May 2019<sup>31</sup>. This was viewed as a retrograde step by several stakeholders. When raised in Parliament in 2019, the then Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst, said she would “raise the matter directly with Amazon”<sup>32</sup>.

**eBay** has around 200,000 professional sellers registered on its UK marketplace in September 2017, mostly small businesses. eBay previously referenced and linked to the Statement of Principles in its guidance for sellers – it highlighted this during evidence to the Scottish Affairs Committee in February, 2018<sup>33</sup>.

31 Tamebay, [‘Amazon UK Shipping Region Surcharges Introduced’](#), 08/05/2019.

32 Hansard, [Rural Areas in Scotland: Additional Delivery Charges](#), 02/07/2019.

33 Scottish Affairs Committee, [Oral evidence: Delivery charges in Scotland](#), 27/02/2018.



eBay encourage its sellers to offer free delivery, favouring these items in their search results and adding a 'Fast and Free' badge where this applies (although buyers in "Shetland and the Hebrides" will not see this badge displayed). eBay has said that it shares frustrations about unfair delivery costs and that it is "always trying to push our sellers, in a nudging way rather than through strict enforcement".<sup>34</sup>

Argos abolished surcharging in 2016, although it remains for larger items (with the exception of the Isle of Lewis, where they operate a shop)<sup>35</sup>.

The IMRG is a trade body for the UK's online retail sector. Written input was provided by the IMRG's **Delivery Retailer Advisory Board** comprised of representatives of major online retailers including John Lewis, eBay, New Look, and Missguided<sup>36</sup>. This commented on the issue of surcharging, highlighting the retailers' view that surcharging is applied to only a very small proportion of total UK orders (estimated 0.8%) and that those living in affected areas generate "up to only 2% (29 million) of the UK's online order volume".

The submission goes on to explain:

- why surcharging can be justified: it reflects the reality of higher costs and lower volumes;
- retailers should be able to charge different prices for different items and services;
- retailers should be able to restrict services/deliveries to some areas if it is unviable or cannot be physically achieved;
- retailers should not try to profit from the application of excessive surcharges;
- retailers should reveal and explain any surcharges as soon as possible – although sometimes this is not possible until at checkout;
- customers in surcharge areas have a responsibility to check the delivery policy before placing an order – going into detail about surcharges on home/product pages is "not consistent with providing a good retail experience for the consumer"; and
- if surcharges were to apply to more specific postcodes, the cost of the surcharge, currently aggregated across a higher volume of parcels, would increase significantly.

While shifting some of the focus towards consumer's own responsibilities and the pricing put in place by delivery operators, the IMRG submission does not directly contradict the Statement of Principles. This is in part a reflection of the difficulty of defining what an excessive charge is and what is fair – what may appear transparent and justifiable to a retailer could well appear discriminatory and excessive to a customer.

The IMRG take the view that larger retailers are already complying with the Principles, which are seen as being "common sense".

<sup>34</sup> Scottish Affairs Committee, [Oral evidence: Delivery charges in Scotland](#), 27/02/2018.

<sup>35</sup> Scottish Affairs Committee, [Written evidence from Argos](#), 27/02/2018.

<sup>36</sup> [IMRG Delivery Retail Advisory Board](#).

In terms of further developing the Principles, for instance by adopting a pledge/badge scheme, the IMRG was able to draw on its own experience of running similar quality assurance schemes for ecommerce: Internet Shopping Is Safe and Internet Delivery Is Safe.

First developed in the 2000s, it was aimed at increasing confidence in ecommerce (which many consumers were using for the first time), with retailers required to prove they would trade in a “legal, decent, honest, truthful and fair manner”, with an “efficient, reliable, safe experience on their sites”.

The programme was subsequently merged and replaced by the “Trusted Shops” mark, and the IMRG is no longer involved in running it.

However, it did highlight the following from its experience:

- checks were only carried out when a consumer complained – so effectively the same as the current situation with parcel deliveries;
- they found that the logos were being lifted from websites and used by companies that were not authorised to do so; and
- it was sometimes the case that really good retailers were not interested in signing up, but less reputable businesses would.

## 6. Conclusions and Recommendations

This final chapter presents our overall conclusions which address the research objectives, and presents recommendations for consideration.

### 6.1 Awareness of the Statement of Principles

Research undertaken a few years ago found that awareness of the Statement of Principles was low among businesses in Scotland<sup>37</sup>. In part, this reflects the fact that the Principles had only recently been launched. Our research confirms that awareness of the Statement of Principles continues to be limited.

One in five businesses that responded to our survey had at least some awareness of the Statement of Principles – albeit the proportion with a “good” or “high” level of awareness was very much lower. Consultation with key partners and stakeholders highlighted a perceived low level of awareness of the Principles among retailers.

This is not to say, however, that unfair or excessive parcel delivery surcharging is not considered to be an issue or not well understood among businesses (or parcel delivery operators) – it continues to be a source of much concern. Indeed, just over half of businesses said that they were aware of wider action undertaken by the Scottish Government and partners to raise awareness of the issue, and most had personal experience when they ordered goods online for their business. There has been some press coverage of the Statement of Principles (albeit not recently), and it is promoted on some partners’ websites.

**Recommendation 1:** There has been limited proactive promotion of the Statement of Principles (e.g. using a mix of channels) or actions to increase awareness of, obtain buy-in and support for, and ultimately increase adoption of the Statement of Principles among retailers. A more widespread adoption of the Statement of Principles is something which should be addressed by the Scottish Government and partners.

If the Principles are to achieve reach and impact, then specific action is called for to increase awareness of the Principles among retailers. Some potential options include:

- engagement with agencies and organisations that have a business-facing function – e.g. Business Gateway, Chambers of Commerce, Federation of Small Businesses, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland. There is particular need to raise awareness and engage smaller businesses.
- promotional campaigns – not limited to press, but making greater use of social media and other channels.

<sup>37</sup> Citizens Advice Scotland, [The Postcode Penalty: The Distance Travelled, Progress on Parcel Deliveries in Scotland 2012-2015](#).

## 6.2 Content of the Principles

On the whole, there was broad support for the rationale behind the development of the Statement of Principles – both among the stakeholders consulted and businesses.

Firstly, stakeholders were supportive of the general spirit of the Principles. The main feedback was that it has been a positive step that the Statement of Principles exist, that it has helped to continue to raise the profile of the issue, and that the Principles have complemented wider action that has taken place.

However, the general view of stakeholders was that the Principles have not been regularly used or reinforced for some time now, and that there has been no specific focus on encouraging online retailers to adopt the Statement of Principles. Taken together, this has limited their potential overall effectiveness.

There was particularly positive feedback provided by businesses in some aspects:

- the vast majority of retailers that sell online and responded to our survey said that their own policies reflect some or all of the Principles (86%);
- more than three-quarters of businesses rated each Principle as either very useful or somewhat useful in helping to drive behaviour change among online retailers; and
- around 90% of retailers that sell online said that they would be very likely or likely to adopt the Principles.

**Recommendation 2:** No major issues or concerns were raised by stakeholders or retailers around the content, wording or phrasing of the Principles, albeit there was some feedback that it could be simplified and clarified in places and contradictory wording removed (as detailed in Chapter 4). The Scottish Government could consider a review of the Statement of Principles to ensure they reflect the findings of this report.

## 6.3 Effectiveness of the Principles

It should be noted that the overall effectiveness of the Principles in changing behaviour is much harder to determine in practice. There are likely to be a number of factors at play.

Firstly, the Statement of Principles is a set of good practice principles, and adoption is voluntary. As such, assessment of levels of adoption and the extent to which it has changed the behaviour of retailers is somewhat challenging.

Secondly, most businesses that responded to the online survey were based in areas impacted by surcharging. Therefore, they have a particular interest in tackling the issue, and the findings need to be viewed in this context.

The general sense from businesses was that those on the receiving end of surcharging do not think there should be any price discrimination at all, and that the Statement of Principles does not go far enough.

On the other hand, delivery operators were adamant that their surcharges reflect the actual additional cost of delivery, and that it is up to retailers whether they want to pass this onto the customer. While generally supportive of steps to raise consumer awareness of the issue and encourage best practice among retailers, they do not see direct intervention in the courier market as a way of solving the issue.

The delivery sector is (self-reported as) highly competitive and couriers argue they take all steps possible to keep costs down. However, this works both ways – a strong emphasis on volume (which is inevitably concentrated in urban areas) and keeping costs down as much as possible means that remote and rural areas are unlikely to be a major consideration when negotiating contracts. This is supported by the IMRG's comment that those impacted by surcharging in Scotland and Northern Ireland generate "up to only 2% of the UK's online order volume". Ultimately, retailers and delivery operators alike will not make decisions that do not make commercial sense or put them in an uncompetitive position.

Some retailers that responded to the survey highlighted that while there may be a case for surcharging, they do not believe it should apply to their area, as they are based on the UK Mainland, near a major city/town, or near a main road.

The fault line between the AB and IV postcode areas in the north-east has been highlighted as an example of this – with those on the IV side often facing surcharging. However, there is some risk that by making the surcharge area more specific, the extra cost for those affected could increase as the geography covered will be – on average – more remote.

While some customers would benefit, others could face even greater detriment.

**Recommendation 3:** There is no current formal mechanism in place to routinely assess the effectiveness of the Principles. On the basis that action will be taken to increase awareness and adoption of the Statement of Principles, then this could form the basis of regular stakeholder engagement to measure progress.

## 6.4 Extent of Behaviour Change

There are inherent challenges in assessing the extent to which retailers have altered their behaviour as a result of the Principles. Aside from a lack of awareness of the Principles, there is also an attribution issue at play.

The Statement of Principles has been one of a number of actions and activities that have been progressed to help address the issue of unfair parcel delivery surcharging. It is therefore difficult to specifically pinpoint the individual contribution the Principles have had in driving behaviour change.

Nevertheless, feedback from stakeholders confirms that the collective efforts of partners, including work on the Principles, has played its part in progress achieved to date. Here, it was reported that improvements continue to be made in terms of ensuring transparency of charges, having clear information about deliveries, and minimising misleading information. The extent and fairness of any surcharge was, however, considered to be more complex and less well understood (partners are, however, continuing to focus on this). There is also a view that more must be done with changing the behaviour of smaller retailers in particular.

**Recommendation 4:** While noting the difficulties in evidencing behaviour change, joined-up, co-ordinated and collaborative efforts should continue to maintain a high profile of the issue, as well as to support activities to make more consumers aware of their rights and of retailers' responsibilities.

**Recommendation 5:** While there is recognition that higher retail costs are a common feature associated with living in remote and rural areas, there is continued frustration with unfair delivery charges. Efforts should focus on developing a better understanding of what constitutes a fair surcharge, and how this can be made transparent to consumers and businesses. Actions that would support this are a key part of Fairer Deliveries for All: An Action Plan.

## 6.5 Barriers to Adoption

The Statement of Principles is not a code of practice, form of regulation or endorsed Kitemark. Rather, adoption by retailers is on a voluntary basis. Indeed, the voluntary nature of the Principles was the main barrier to adoption identified by retailers (i.e. the key target group).

Further, there has been no real promotion, encouragement or incentive for retailers to formally adopt the Principles. The feedback from stakeholders was that retailers, and in particular large retailers, would say that they already adhere to the Principles and many will likely have their own policies in place.

Fundamentally, a key barrier to adoption simply relates to the lack of awareness of the Statement of Principles among retailers. This was raised by stakeholders and businesses alike.

Wider issues raised by businesses that were felt to limit adoption of the Principles included that: a) retailers do not control courier pricing, and b) while there is awareness of the parcel delivery surcharging issue, it is not a top priority or major concern.

Views were mixed regarding whether there would be value in developing a "pledge" that retailers could sign up to (based around the Principles). Stakeholders raised some issues regarding:

- the number of other pledges that already exist; and
- the extent of its relevance when the issue only relates to a small proportion of a retailer's total sales.

There was stronger support for the development of a pledge among businesses (67%).

The Statement of Principles is limited in its effectiveness, given its status as a voluntary code of best practice. This issue was raised by some stakeholders, but more so among businesses that felt that there should be stronger legislation in this policy area.

The focus of partners' efforts should move to other actions detailed in the Fairer Deliveries for All: An Action Plan (e.g. developing a greater understanding of what a fair delivery price is; improving postcode classifications).

**Recommendation 6:** Retailers were particularly supportive of the creation of a business pledge or endorsed Kitemark (or similar). Feedback was mixed from other stakeholders. More research and dialogue on the issue should be undertaken to explore the benefits and challenges of such an approach.

## 6.6 Extending the Principles to Delivery Operators

The Statement of Principles is aimed at retailers.

Our research found that views were mixed regarding whether the Principles should be extended to apply to parcel delivery companies. In part, stakeholders felt that there is some “buck-passing” between retailers and delivery operators regarding where responsibility lies for the issue of parcel delivery charging.

On the one hand, some stakeholders were supportive, while others were less so – however, overall it was generally not considered to be a key priority area for action.

On the other hand, businesses felt particularly strongly that the Principles should be extended to apply to parcel delivery companies. Some 91% of businesses that responded to the survey said that the Principles should apply to both retailers and delivery operators. The strength of feeling is in part likely to reflect the issue highlighted above however, the main feedback from businesses was that pricing discrimination should be prohibited by law.

**Recommendation 7:** Our view is that there would be no measurable value in extending the Principles to apply to parcel delivery companies – in the absence of promotional activity to raise awareness of the Statement of Principles among delivery operators in the first instance, or indeed tracking of adoption, etc.

That is not to say that delivery operators do not have a role to play, and they should continue to be encouraged to be involved in collaborative discussions and efforts to help address the challenges identified in this and existing research.

However, if a business pledge approach was developed this could be extended (eventually) to the delivery companies as well as the retailers.

## 6.7 Achieving Change

The issue of unfair parcel delivery surcharging is long-standing, and one that continues to be a source of frustration and public concern for residents and businesses alike. Indeed, it is recognised that there is no “magic or single bullet” to tackle the issue, and that change will not happen overnight. The overall view of stakeholders is that there has been some traction and improvements.

First and foremost, the main message from stakeholders is that everyone has a role to play in continuing to shine a light on the issue, and for a collaborative and collective approach to be taken to identifying and implementing solutions. This includes the Scottish and UK Governments, retailers, delivery parcel operators, consumers, and wider partners. Considerable activity has, and continues to take place, however, the challenge reported by stakeholders was around ensuring a more co-ordinated and joined-up approach.

## 6.8 Where Does Best Practice Exist?

Among businesses surveyed as part of this research almost all said they use Royal Mail for despatching orders so avoid surcharging. Where they do face any extra costs, more than two-thirds said that they cover/absorb this cost themselves. While this is in part a reflection of the self-selecting nature of the survey, it does nonetheless demonstrate that some businesses are aware of the issue and taking steps to mitigate its impact.

The importance of encouraging businesses to at least offer Royal Mail as a delivery option for customers was also highlighted by MSPs during the Members Debate on Delivery Charges in December 2019. Royal Mail also have exclusive access to the Post Office network, which has 1,388 branches across Scotland in 2019, of which 68% are in rural areas<sup>38</sup>.

A number of high-profile businesses have also announced that they have stopped surcharging. We have also mentioned some specific examples of businesses that have stopped surcharging (Argos, Wayfair) and others that have taken a step backwards (Amazon Marketplace).

**Recommendation 8:** Any engagement or promotional activity undertaken to increase awareness of the Principles among retailers should incorporate examples of good practice, with a clear articulation of the benefits for both the business and the consumer.

Issues of rurality and the associated additional costs of living in remote areas are not unique to Scotland or Northern Ireland.

**Recommendation 9:** While it was outside the scope of this research study, it may be worthwhile looking at what (if any) solutions other countries have found to the issue of higher parcel delivery costs.

<sup>38</sup> The Ferret, [Rural areas worst hit by post office closures in Scotland](#), 9/2/2020.



## Appendix A: List of Consultees

|                  |  |
|------------------|--|
| Andrew Starkey   | Head of e-Logistics, IMRG  |
| David MacKenzie  | Trading Standards Manager, Highland Council  |
| David Moyes      | Senior Research Officer, Citizens Advice Scotland  |
| David Richardson | Development Manager, Highlands and Islands, Federation of Small Businesses                     |
| Gillian Fyfe     | Strategic Lead – Strong Communities, Citizens Advice Scotland                                  |
| Jim Tebbett      | Senior Compliance Executive, Committee of Advertising Practice/Advertising Standards Authority |
| Kellin McCloskey | Head of Postal Policy, Consumer Council for Northern Ireland                                   |
| Matthew Jacques  | Product and Innovation Director, Collect+  |
| Peter Irving     | The Scottish Government  |
| Phil Jones       | Principal Case Officer, Consumer Protection, Competition and Markets Authority                 |
| Richard Lochhead | MSP for Moray  |
| Robert Gwyn      | Public Affairs Manager, Hermes   |
| Sarah Barnes     | Head of PR & External Communications, Yodel  |
| Tim Jones        | Director of Marketing, DPD Group   |
| Wendy McCutcheon | The Scottish Government  |
| Willie Paul      | Trading Standards Officer, Highland Council  |



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